

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

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

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

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

Confirmation of your representation: In order to be eligible to view this preliminary offering memorandum or make an investment decision with respect to the securities, you must: (i) not be a U.S. person (as defined in Regulation S under the Securities Act), and be outside the United States; or (ii) be a qualified institutional buyer (as defined in Rule 144A under the Securities Act). You have been sent the attached preliminary offering memorandum on the basis that you have confirmed to the Initial Purchasers set forth in the attached preliminary offering memorandum (the "Initial Purchasers"), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; (ii) the e-mail address to which this preliminary offering memorandum has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; (iii) to the extent you are resident in a Member State of the European Economic Area ("EEA"), you are not a "retail investor," where "retail investor" means a person who is one (or more) of the following: (a) "retail client" as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and (iv) to the extent you are a resident in the United Kingdom ("UK"), you are not a "retail investor" where "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission.

This preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Initial Purchasers, any person who controls an Initial Purchaser, Douglas GmbH or Blitz D21-543 GmbH to be renamed Kirk Beauty SUN GmbH on or around the Issue Date (the "Issuers"), or any of their respective subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession this preliminary offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this preliminary offering memorandum to any other person. You may not transmit the attached preliminary offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers. If you receive

this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuers in such jurisdiction.

Restrictions: The attached document is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or to any U.S. person. Recipients of this preliminary offering memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in this preliminary offering memorandum.

Any securities to be issued will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Notwithstanding the foregoing, prior to the expiration of a 40-day distribution compliance period (as defined under Regulation S under the Securities Act) commencing on the issue date, the securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the Securities Act.

The preliminary offering memorandum is for distribution only to persons who: (i) are outside the UK; (ii) 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"); (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The preliminary 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 the preliminary offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Article 4(1) of MiFID II; and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the purposes of this provision, the term "manufacturers" shall mean such of the Joint Bookrunners and Co-Managers as are subject to the product governance rules under MiFID II.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS") and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the purposes of this provision, the term "manufacturers" shall mean such of the Joint Bookrunners and Co-Managers as are subject to the product governance rules under COBS and UK MiFIR.

The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, "retail investor" means a person who is one (or more) of the following: (a) "retail client" as defined in point (11) of Article 4(1) of

MiFID II; or (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

The information in this preliminary offering memorandum is not complete and may be changed. This preliminary offering memorandum is not an offer to sell securities and we are not soliciting offers to buy these securities in any state or jurisdiction where such offer or sale is not permitted or to any person or entity to whom it is unlawful to make such offer or sale.

Subject to Completion, dated , 2021

PRELIMINARY OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES



Douglas GmbH

€1,000,000,000 % Senior Secured Notes due 2026

Kirk Beauty SUN GmbH

€300,000,000 % / % Senior PIK Notes due 2026

Douglas GmbH (the "Senior Secured Notes Issuer") is offering €1,000,000,000 aggregate principal amount of its % Senior Secured Notes due 2026 (the "Senior Secured Notes"), and Blitz D21-543 GmbH to be renamed Kirk Beauty SUN GmbH on or around the Issue Date (the "Senior PIK Notes Issuer", together with the Senior Secured Notes Issuer, the "Issuers"), is offering (together with the offering of the Senior Secured Notes, the "Offering") €300,000,000 aggregate principal amount of its € % Senior PIK Notes due 2026 (the "Senior PIK Notes", together with the Senior Secured Notes, the "Notes"). Interest on the Notes will be payable semi-annually in arrears on each and , commencing , 2021. The Senior PIK Notes Indenture (as defined herein) will provide that interest is payable on the Senior PIK Notes, at the election of the Senior PIK Notes Issuer, (1) entirely in cash ("Cash Interest") or (ii) by increasing the principal amount of the Senior PIK Notes or by issuing Senior PIK Notes in a principal amount equal to such interest (in each case "PIK Interest"). The gross proceeds from the Offering, together with proceeds from borrowings under the Term Loan B Facility under the Senior Secured Facilities Agreement and the Equity Contribution will be used to (1) fund the redemption of the Existing Senior Secured Notes and Existing Senior Notes; (2) repay all amounts outstanding under the Existing Senior Secured Facilities (including amounts outstanding under the existing revolving credit facility); (3) fund cash on hand and (4) pay fees and expenses incurred in connection therewith.

All or a portion of the Notes may be redeemed prior to , 2023 at redemption prices equal to 100% of the principal amount of the relevant Notes redeemed plus accrued and unpaid interest to the redemption date and additional amounts, if any, plus the applicable "make-whole" premium, as described in this offering memorandum. The Notes may be redeemed at any time on or after , 2023, at the redemption prices set forth in this offering memorandum. At any time prior to , 2023, up to 40% of the aggregate principal amount of the Senior Secured Notes may be redeemed at a redemption price equal to % provided that at least 50% of the original aggregate principal amount of the applicable Senior Secured Notes (excluding any Additional Senior Secured Notes) remains outstanding after the redemption, and at any time prior to , 2023, up to 40% of the aggregate principal amount of the Senior PIK Notes may be redeemed at a redemption price equal to %, provided that at least 50% of the original aggregate principal amount of the applicable Senior PIK Notes (excluding any Additional Senior PIK Notes) remains outstanding after the redemption, in each case, with the net proceeds of one or more specified equity offerings. At any time and from time to time prior to , 2023, the Senior Secured Notes Issuer may, during each calendar year, redeem up to 10% of the original principal amount of the Senior Secured Notes at a redemption price equal to 103.000% of the principal amount thereof plus the Applicable Premium (as defined in "Description of the Senior Secured Notes") and accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date. All of the relevant series of Notes may also be redeemed upon the occurrence of certain developments affecting taxation. In addition, in connection with certain tender offers for the relevant series of Notes, if holders of not less than 90% in aggregate principal amount of such outstanding Notes of the relevant series validly tender and do not withdraw such Notes in such tender offer and the relevant Issuer, as the case may be, or any third party making such a tender offer in lieu of such Issuer, purchases all of such Notes validly tendered and not withdrawn by such holders, such Issuer or such third party will have the right to redeem, in whole or in part, such Notes that remain outstanding, following such purchase at a price equal to the price offered to other holders of such Notes plus accrued and unpaid interest, if any, thereon (but excluding any early tender or incentive fee). Upon certain events defined as constituting a change of control, the relevant Issuer may be required to make an offer to purchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the date of repurchase, provided that on a one-time basis no change of control will be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event.

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 the Issue Date Guarantors (as defined herein). On or prior to a date falling (a) on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 30 days after the Issue Date and (b) on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 90 days after the Issue Date, as applicable, the Senior Secured Notes will be additionally guaranteed on a senior basis by the Post-Closing Guarantors (together with the Issue Date Guarantors, the "Guarantors") that will also guarantee the Senior Secured Facilities other than subsidiaries of the Senior Secured Notes Issuer incorporated in France and Italy, which will only guarantee the Senior Secured Facilities. The Senior PIK Notes will be senior obligations of the Senior PIK Notes Issuer and as of the Issue Date will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer and the Issue Date Guarantors. On or prior to a date falling (a) on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 30 days after the Issue Date and (b) on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 90 days after the Issue Date, as applicable, the Senior PIK Notes will be additionally guaranteed on a senior subordinated basis by the Post-Closing Guarantors. The Senior PIK Notes Indenture will require that on or prior to November 30, 2021 and provided the Post-Closing Reorganization has not been completed, the direct parent company of TopCo as of such date will become a party to the Senior PIK Notes Indenture and guarantee the Senior PIK Notes on a senior basis, and the Senior PIK Notes will be secured by a first-priority security interest over the shares of, and receivables owed by, such direct parent company of TopCo. See "Description of the Senior PIK Notes".

On the Issue Date, the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Notes Issue Date Collateral (as defined herein). On or prior to a date falling (a) on the later of the date on which the relevant Senior Secured Notes Post-Closing Collateral (as defined herein) secures the Senior Secured Facilities and 30 days after the Issue Date and (b) on the later of the date on which the relevant Senior Secured Notes Post-Closing Collateral secures the Senior Secured Facilities and 90 days after the Issue Date, as applicable, the Senior Secured Notes will be additionally secured by a first-priority security interest in the Senior Secured Notes Post-Closing Collateral (together with the Senior Secured Notes Issue Date Collateral, the "Senior Secured Notes Collateral") granted by the shareholders of Kirk Beauty Two GmbH ("TopCo"), TopCo and certain of the TopCo's subsidiaries that will also secure the Senior Secured Facilities, other than security provided by certain subsidiaries of the Senior Secured Notes Issuer incorporated in France and Italy, which will only secure the Senior Secured Facilities. On the Issue Date, the Senior PIK Notes will be secured by the Senior PIK Notes Issue Date Collateral (as defined herein) on a first-priority basis and the Shared Collateral (as defined herein) on a second-priority basis. Collateral, priority and ranking of the Note Guarantees and the liability of the Guarantors are subject to the limitations described in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests" and "Risk Factors—Risks Related to Our Structure—Each Note 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 is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "Exchange"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 44.

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 Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "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 Securities Act ("Rule 144A") and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Notice to Investors" for additional information about eligible offerees and transfer restrictions.

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. 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.

Issue Price for the Senior Secured Notes: % plus accrued interest, if any, from the Issue Date.

Issue Price for the Senior PIK Notes: % plus accrued interest, if any, from the Issue Date.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs Bank
Europe SE

Deutsche Bank

UniCredit Bank

Joint Bookrunners

BNP PARIBAS

UBS Investment Bank

The date of this offering memorandum is , 2021.

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 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 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. We, and not the Initial Purchasers, have ultimate authority over the statements contained in this offering memorandum, including the content of those statements and whether and how to communicate them. 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 under the captions *"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 or 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.

We expect that delivery of the Notes will be made against payment on the Notes on or about 2021, which will be business days (as such term is used for purposes of Rule 15c6-1 of 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 + "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the following business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS BANK EUROPE SE (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.

Notice to U.S. Investors

The Notes will be sold outside the United States to non-U.S. persons pursuant to Regulation S of the Securities Act and within the United States to QIBs pursuant to Rule 144A. The Notes and the Note Guarantees have not been and will not be registered under the 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 Securities Act. The Notes shall 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 been prepared on the basis that any offer of the Notes in the UK will be made pursuant to an exemption from the requirement to publish a prospectus for offers of the Notes under the UK Prospectus Regulation. The expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act ("EUWA").

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

Professional Investors and ECPs only target market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product

Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the purposes of this provision, the term "manufacturers" shall mean such of the Joint Bookrunners and Co-Managers as are subject to the product governance rules under COBS and UK MiFIR.

This offering memorandum is for distribution only to persons who: (i) are outside the UK; (ii) 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"); (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Notice to Investors in the European Economic Area

This offering memorandum has been prepared on the basis that any offer of the Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded).

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

Professional Investors and ECPs only target market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led the manufacturers to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the purposes of this provision, the term "manufacturers" shall mean such of the Joint Bookrunners and Co-Managers as are subject to the product governance rules under MiFID II.

France

This offering memorandum has not been approved by and will not be submitted for approval to the French Autorité des marchés financiers for the purposes of an offer or sale in France to any investors other than qualified investors within the meaning of Article 2 e) of the Prospectus Regulation. Consequently, the Notes may not be offered or sold to non-qualified investors in France, directly or indirectly, and neither this offering memorandum nor any other offering material relating to the Notes may be distributed, or otherwise made available in or from, or published in, France, except in circumstances which make such offer or sale in France in compliance with the Prospectus Regulation and any applicable French laws and regulations in force regarding the offer, the placement or the sale of the Notes and the distribution in France of this offering memorandum or any other offering material relating to the Notes.

Germany

The Offering is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the

Prospectus Regulation, the PRIIPs Regulation, Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (as amended, the “German Securities Prospectus Act”) and any other laws applicable in Germany. This offering memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (“BaFin”). BaFin has not obtained and will not obtain a notification from another competent authority of a Member State, with which a securities prospectus may have been filed, pursuant to Section 25 Para. 1 of the Prospectus Regulation. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this offering memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Article 2 lit. (e) of the Prospectus Regulation. Any resale of the Notes in Germany may only be made in accordance with the Prospectus Regulation, the PRIIPs Regulation, the German Securities Prospectus Act and other applicable laws.

Italy

The Offering has not registered pursuant to Italian securities legislation and accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except

(i) to qualified investors (*investitori qualificati*) as defined pursuant to Article 2(e) of Regulation (EU) No. 1129 of 14 June 2017 (the “PD Regulation”); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the PD Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and any other applicable Italian laws and regulations.

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

- a. be made only by an investment firm (*“impresa di investimento”*), bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended, from time to time), Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Act”) and any other applicable law and regulations; and
- b. comply with any other applicable laws and regulations requirement imposed by CONSOB, the Bank of Italy (including, the reporting obligations to the Bank of Italy on the issue or the offer of securities in Italy, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other relevant Italian competent authorities.

Poland

The Notes may not be offered or sold in or into Poland except under circumstances that do not constitute an offer of securities to the public within the meaning of the Prospectus Regulation or distribution of securities under Polish laws and regulations or are offered or sold under any of the exemptions from the obligation to publish a prospectus as referred to in Article 1(4)(a) to (d) of the Prospectus Regulation. Neither this Offering Memorandum nor any other similar document relating to the Notes has been or will be approved, notified, registered or passported to Poland and/or by the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) as a prospectus or other similar document required by statutory law relating to the Notes pursuant to or compliant with in particular the provisions of the Prospectus Regulation and the Polish Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies, as amended.

The Netherlands

The Notes (including rights representing an interest in each Global Note that represents the Notes) may not be offered or sold to individuals or legal entities in the Netherlands other than to qualified investors (*gekwalficeerde beleggers*) as defined in the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*).

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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, other statements relating to our future business performance and general economic, regulatory and market trends and other circumstances relevant to our business.

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 risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- risks related to the recent outbreak of COVID-19 or any future pandemics and their impact on our business and results of operations;
- our future financial position;
- the implementation of our strategic plans and the impact of those plans on our financial position and results of operations;
- our liquidity, capital resources and capital expenditure;
- our expectations regarding the impact of economic, operating, legal and other risks affecting our business;
- macroeconomic trends and developments in the markets in which we operate, such as general economic growth, developments in unemployment rates, the level of consumer prices, wage levels, consumer confidence and spending levels, interest rates, inflation and taxation;
- developments in international financial markets;
- our ability to successfully compete in the European beauty and personal care market, and in particular in the selective distribution segment of such market, and to successfully implement cost-efficiency and restructuring initiatives;
- our ability to obtain a sufficient amount and variety of quality selective, premium and exclusive products from our suppliers;
- our dependence on a small number of suppliers and on the ability of our suppliers to meet our requirements;
- our e-commerce platform and any risks associated with it, including, but not limited to, cyber-attacks, possible misappropriation of customer data, any potential penalties as a result of violations of data protection regulations such as the GDPR, or our inability to maintain attractive online shops, all of which may be exacerbated by our increased focus on our e-commerce business;
- our ability to acquire, maintain and strengthen relationships with new and existing suppliers and manufacturers;
- our exposure to the risk of rising labor costs, as well as work stoppages, strikes or other collective actions, supply shortages and interruptions in our supply chain;

- developments in the distribution of our products, including the level of acceptance of online retailing, user behavior on mobile devices, our ability to attract more online traffic (including mobile internet traffic) and translate such traffic into purchases of our products;
- the impact of our franchise ownership structure of certain stores;
- our reliance on third parties for computer hardware, software, services and support and the risk of interruption to our operations as a result of failures in our information technology systems;
- our ability to protect confidential information of our customers, and network against security breaches;
- our ability to offer our customers an inspirational and attractive purchasing experience, both online and in our brick & mortar stores;
- our ability to adopt and apply technological advances in a timely manner and to successfully expand our multi- and cross-channel capabilities;
- our ability to effectively integrate the business and achieve expected synergies as well as manage unexpected liabilities in connection with past and future acquisitions and joint ventures, including with respect to future acquisitions;
- our ability to anticipate and effectively respond to consumer tastes and trends;
- the effectiveness of our marketing advertising and marketing programs and our ability to communicate with customers;
- changes in the strength of the “Douglas” brand, the “Nocibé” brand, our private label products or the brand products of our suppliers, or our reputation;
- our ability to identify suitable sites for our future brick & mortar stores and our ability to negotiate, terminate or extend store leases on acceptable terms;
- demographic changes;
- changes in the competitive environment and in the competition level in the markets in which we operate;
- acquisition opportunities in the markets in which we currently, or may in the future, operate;
- changes in law and regulations, for example, with respect to the European regime applicable to selective distribution of beauty and personal care products and the impact of such changes on us and our operations;
- compliance with the regulatory frameworks in which we operate, such as private data protection laws, antitrust and competition laws and regulations and product compliance regulations, such as cosmetic or food regulations;
- protection of our and our suppliers’ intellectual property rights, including trademarks and domain names;
- currency effects;
- our ability to attract and retain key management and personnel;
- risks associated with the payment methods that we accept online and in our brick & mortar stores;
- misappropriation of funds and products in our brick & mortar stores, warehouses and logistics centers and of customer data;
- the availability of consumer credit;
- the impact of changes in credit and debit card provider requirements or applicable regulations;

- the outcome of legal proceedings;
- the effects of seasonality on our business;
- potential liabilities that may not be covered by insurance;
- our substantial leverage and ability to generate sufficient cash to service our debt and to refinance these borrowings upon maturity;
- risks associated with our structure, the Notes, the Note Guarantees, the collateral securing the Notes and our other borrowings; and
- other factors described under “*Risk Factors*” and elsewhere 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*,” “*Market and Competitive Environment*” and “*Business*” 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.

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:

- "Clearstream" refers to Clearstream Banking, S.A.;
- "Collateral" refers to the Issue Date Collateral and the Post-Closing Collateral;
- "core countries" refers to Germany, France (including Monaco and the French overseas territories), Italy, Spain (including Andorra), the Netherlands and Poland;
- "core markets" refers to Germany, France, Italy, Spain, the Netherlands and Poland;
- "COVID-19" refers to the disease caused by a novel strain of coronavirus SARS-CoV-2;
- "CVC" refers to CVC Capital Partners SICAV-FIS S.A. and each of its subsidiaries from time to time and CVC Capital Partners Advisory Group Holding Foundation and each of its subsidiaries from time to time, and/or investment funds or vehicles advised or managed by any of the foregoing ("CVC Funds") and/or any investors or limited partners in the CVC Funds, but excluding, in each case, any portfolio companies in which CVC Funds hold an interest and CVC Credit Partners Group Holding Foundation and each of its subsidiaries from time to time and any funds or entities advised or managed by them from time to time.
- "Douglas," the "Douglas Group", the "Group", "our Group" and other similar terms refer to Kirk Beauty One GmbH and its consolidated subsidiaries, which for the avoidance of doubt is not identical to the restricted group under the Senior Secured Notes or the Senior PIK Notes;
- "Equity Contribution" has the meaning ascribed to it in "*Summary—The Transaction*";
- "Euroclear" refers to Euroclear Bank SA/NV;
- "Europe" refers to continental Europe unless as otherwise indicated;
- "European Union" or "EU" refers to the European economic and political union;
- "Existing Senior Secured Facilities" refers to the facilities made available under the Existing Senior Secured Facilities Agreement;
- "Existing Senior Secured Facilities Agreement" refers to the senior secured credit facilities agreement dated July 10, 2015 between, among others, the Senior Secured Notes Issuer and certain of its subsidiaries and Deutsche Bank AG, London Branch as agent and security agent, as amended or restated from time to time;
- "Existing Senior Notes" refers to €335 million 8.75% senior notes due 2023 issued by the Parent pursuant to an indenture entered into on July 10, 2015 between, among others, the Parent, the Trustee and the Security Agent;
- "Existing Senior Secured Notes" refers to the €300 million 6.25% senior secured notes due 2022 issued by the Senior Secured Notes Issuer pursuant to an indenture entered into on July 10, 2015 between, among others, the Senior Secured Notes Issuer, the Trustee and the Security Agent;
- "financial year 2017/2018" refers to the financial year ended September 30, 2018;
- "financial year 2018/2019" refers to the financial year ended September 30, 2019;
- "financial year 2019/2020" refers to the financial year ended September 30, 2020;
- "first quarter 2019/2020" refers to the three months ended December 31, 2019;
- "first quarter 2020/2021" refers to the three months ended December 31, 2020;
- "Founder Co-Investors" refers to the Kreke family;
- "German GAAP" refers to generally accepted accounting principles in Germany as set out in the German Commercial Code (*Handelsgesetzbuch*);

- “Guarantors” collectively refers to the Issue Date Guarantors and the Post-Closing Guarantors, and references to “Guarantor” are to each of them;
- “IFRS” refers to International Financial Reporting Standards as adopted by the EU;
- “Indentures” refers to the Senior Secured Notes Indenture and the Senior PIK Notes Indenture;
- “Initial Purchasers” refers to Goldman Sachs Bank Europe SE, Deutsche Bank Aktiengesellschaft, UniCredit Bank AG, BNP Paribas and UBS AG, London Branch;
- “Intercreditor Agreement” refers to the intercreditor agreement to be dated on or prior to the Issue Date, as amended from time to time, among the Senior Secured Notes Issuer, Deutsche Bank AG, London Branch, as Security Agent and security agent under the Senior Secured Facilities Agreement, and certain lenders and arrangers under the Senior Secured Facilities Agreement;
- “Issue Date” refers to the date of original issuance of the Senior Secured Notes or the Senior PIK Notes, as the context may require;
- “Issue Date Collateral” refers to the Senior Secured Notes Issue Date Collateral and the Senior PIK Notes Issue Date Collateral, each as further set out under “Summary–The Offering–Security”;
- “Issue Date Guarantors” has the meaning ascribed to it under “Summary–The Offering–Note Guarantees”;
- “Issuers” refers to the Senior Secured Notes Issuer and the Senior PIK Notes Issuer;
- “KB A” refers to a German company to be formed following the Issue Date in connection with the Post-Closing Reorganization that will initially be the direct subsidiary of LuxCo 3;
- “KPMG” refers to KPMG AG Wirtschaftsprüfungsgesellschaft, Barbarossaplatz 1a, 50674 Cologne;
- “LTM December 2019” refers to the twelve months period January 1, 2019 to December 31, 2019 and is calculated for profit and loss and cash flow as follows: financial year ended September 30, 2019 minus the three months period ended December 31, 2018 (as restated) plus the three months period ended December 31, 2019 (as restated);
- “LTM December 2020” refers to the twelve months period January 1, 2020 to December 31, 2020 and is calculated for profit and loss and cash flow as follows: financial year ended September 30, 2020 minus the three months period ended December 31, 2019 (as restated) plus the three months period ended December 31, 2020;
- “LuxCo” refers to LuxCo2 and LuxCo3, as applicable;
- “LuxCo1” refers to Kirk Beauty S.a r.l., a limited liability company (*societe a responsabilitate limitata*) incorporated and existing under the laws of Luxembourg;
- “LuxCo2” refers to Kirk Beauty Investments S.A., a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg;
- “LuxCo3” refers to Kirk Beauty International S.A., a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg;
- “Member State” means a member state of the European Economic Area;
- “MEP 2 KG” refers to Kirk Beauty 2 Beteiligungs GmbH & Co. KG;
- “Note Guarantees” refers to the Senior Secured Note Guarantees together with the Senior PIK Note Guarantees;
- “Notes” refers to the Senior Secured Notes and the Senior PIK Notes offered hereby;
- “OC&C” refers to OC&C Strategy Consultants;
- “OC&C Market Review” refers to a report entitled “European Beauty Market Review” (December 2019) by OC&C Strategy Consultants;

- "OC&C Market Review Update" refers to a corresponding update to the "OC&C Market Review" entitled "European Beauty Market Review - 2019 Market Update, Covid Impact & Outlook" (March 2021) by OC&C Strategy Consultants;
- "Offering" or "Offerings" refers to the offering of the Senior Secured Notes and Senior PIK Notes pursuant to this offering memorandum;
- "Parent" refers to Kirk Beauty One GmbH;
- "Post-Closing Collateral" means the Senior Secured Notes Post-Closing Collateral as further set out under *"Summary–The Offering–Security"*;
- "Post-Closing Guarantors" has the meaning ascribed to it under *"Summary–The Offering–Note Guarantees"*;
- "Proceeds Loan" has the meaning under *"Description of the Senior PIK Notes–The Proceeds Loan"*;
- "Regulation S" refers to Regulation S under the Securities Act;
- "Revolving Credit Facility" refers to a €170 million multicurrency revolving credit facility to be established under the Senior Secured Facilities Agreement;
- "Rule 144A" refers to Rule 144A under the Securities Act;
- "Securities Act" refers to the U.S. Securities Act of 1933, as amended;
- "Security Agent" refers to Deutsche Bank AG, London Branch;
- "Security Documents" has the meaning ascribed to it under the *"Description of the Senior Secured Notes"* and *"Description of the Senior PIK Notes"*;
- "Senior PIK Notes" refers to the €300,000,000 aggregate principal amount of the Senior PIK Notes Issuer's % Senior PIK Notes due 2026 offered hereby;
- "Senior PIK Notes Collateral" has the meaning ascribed to it under *"Summary–The Offering–Security–Senior PIK Notes"*;
- "Senior PIK Note Guarantees" has the meaning ascribed to it under *"Summary–The Offering–Note Guarantees–Senior PIK Notes"*;
- "Senior PIK Notes Indenture" refers to the indenture to be dated on or prior to the Issue Date governing the Senior PIK Notes by and among, *inter alios*, the Senior PIK Notes Issuer and the Trustee;
- "Senior PIK Notes Issuer" refers to Blitz D21-543 GmbH to be renamed Kirk Beauty SUN GmbH on or around the Issue Date;
- "Senior PIK Notes Trustee" refers to Deutsche Trustee Company Limited;
- "Senior Secured Facilities" refers to the Term Loan B Facility, the Revolving Credit Facility and any incremental facility and/or any additional borrowings which may be made available under the Senior Secured Facilities Agreement from time to time;
- "Senior Secured Facilities Agreement" refers to the senior secured credit facilities agreement to be entered into, on or prior to the Issue Date between, among others, the Senior Secured Notes Issuer and certain of its subsidiaries and Deutsche Bank AG, London Branch as agent and security agent, in each case, comprised of, as of the Issue Date, as amended from time to time, the Term Loan B Facility and the Revolving Credit Facility;
- "Senior Secured Notes" refers to the €1,000,000,000 aggregate principal amount of the Senior Secured Notes Issuer's % senior secured notes due 2026 offered hereby;
- "Senior Secured Notes Collateral" has the meaning ascribed to it under *"Summary–The Offering–Security–Senior Secured Notes"*;

- “Senior Secured Note Guarantees” has the meaning ascribed to it under “*Summary–The Offering–Note Guarantees–Senior Secured Notes*”;
- “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 Trustee;
- “Senior Secured Notes Issuer” refers to Douglas GmbH;
- “Senior Secured Notes Trustee” refers to Deutsche Trustee Company Limited;
- “Shared Collateral” refers to the Proceeds Loan, the issued share capital of the Parent and any intercompany receivables owed by the Parent to LuxCo 3 and MEP 2 KG, which are secured on a first-priority basis in favor of the Senior Secured Facilities and the Senior Secured Notes and on a second-priority basis in favor of the Senior PIK Notes;
- “Term Loan B Facility” refers to a €1,080 million term loan B facility established under the Senior Secured Facilities Agreement;
- “TopCo” refers to Kirk Beauty Two GmbH, the direct parent of the Parent;
- “Transaction” has the meaning ascribed to it in “*Summary–The Transaction*”;
- “Trustees” refers to the Senior Secured Notes Trustee and the Senior PIK 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; and
- “we”, “us”, “our” and other similar terms refer to Kirk Beauty One GmbH and its consolidated subsidiaries.

INDUSTRY AND MARKET INFORMATION

We operate in an industry in which it is difficult to obtain precise industry or market information. We have generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third-party sources, including a report commissioned by our Group prepared by OC&C Strategy Consultants ("OC&C") entitled "European Beauty Market Review" (December 2019) (the "OC&C Market Review") and a corresponding update entitled "European Beauty Market Review - 2019 Market Update, Covid Impact & Outlook" (March 2021) (the "OC&C Market Review Update").

We believe that these industry publications, surveys and studies are reliable. However, we cannot assure you of the accuracy and completeness of such information. While we have accurately reproduced such third-party information, neither we nor the Initial Purchasers have verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as we are aware and are able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

This offering memorandum also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such statements in this offering memorandum regarding our industry and our position in the industry have been made 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 have been verified by any independent sources. We believe that our estimates of market data and information derived therefrom are helpful to give investors a better understanding of the industry in which we operate as well as our position within the industry. Although we believe that our internal market observations are reliable, our own estimates are not reviewed or verified by any external sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the heading "*Risk Factors*."

PRESENTATION OF FINANCIAL INFORMATION

Financial Information

The historical financial information included and presented in this offering memorandum is that of the Parent and its consolidated subsidiaries. TopCo is a holding company with no revenue-generating activities of its own and does not have any business operations, material assets (other than the shares it owns in its subsidiaries and intragroup receivables) or liabilities (other than intragroup liabilities that will be extinguished following completion of the Post-Closing Mergers). The Senior PIK Notes Issuer is a newly-incorporated company formed for the purposes of the Transaction and is not expected to engage in any activities other than those related to its formation, the Transaction and the Post-Closing Reorganization. The Senior PIK Notes Issuer's only material assets and liabilities are currently and are expected to be in the future its interest in the issued and outstanding shares of any subsidiary and its outstanding indebtedness and intercompany balances incurred in connection with the Transaction and the Post-Closing Reorganization. Consequently, no financial information with respect to Topco or the Senior PIK Notes Issuer is included in this offering memorandum. In particular, this offering memorandum includes and presents:

- the consolidated financial statements of the Parent as of and for the financial year ended September 30, 2019 (the "financial year 2018/2019"), including the comparative financial information as of and for the financial year ended September 30, 2018 (the "financial year 2017/2018"), which have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Barbarossaplatz 1a, 50674 Cologne ("KPMG");
- the consolidated financial statements of the Parent as of and for the financial year ended September 30, 2020 (the "financial year 2019/2020"), including the comparative financial information as of and for the financial year 2018/2019, which have been audited by KPMG (the disclosure note referring to the disaggregation of revenue according to IFRS 15.114 et. seq. attributable to e-commerce and brick & mortar sales on a segment level (which we present based on geographical regions) for the financial year 2019/2020 was not included in our consolidated financial statements as of and for the financial year 2019/2020 and is presented now according to IAS 8.42 et seq. in the unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2020 (see the note "net sales" to our unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2020)); and
- the unaudited interim condensed consolidated financial statements of the Parent as of and for the three months ended December 31, 2020 (the "first quarter 2020/2021"), including the comparative financial information as of and for the three months ended December 31, 2019 (the "first quarter 2019/2020") (the unaudited interim consolidated financial information as of and for the first quarter 2019/2020 has been restated according to IAS 8.42 et. sec. during the financial year 2020/2021 due to overstated accrued expenses in the reportable segment Germany, incomplete IFRS 16 lease contract data, and the re-assessment of the expected useful life of a building, which was understated and such restatement was included in the unaudited interim consolidated financial information as of and for the first quarter 2020/2021 and disclosed in the notes thereto). In addition thereto, note that the unaudited interim condensed consolidated financial statements of the Parent as of and for the three months ended December 31, 2020, authorized for issue as of February 25, 2021, have been replaced by the unaudited interim condensed consolidated financial statements of the Parent, authorized for issue as of March 12, 2021.

The audited consolidated financial statements for the years ended September 30, 2019 and 2020 are together referred to as the "Audited Consolidated Financial Statements" and the unaudited interim condensed consolidated financial statements for the three months ended December 31, 2020 are referred to as the "Unaudited Interim Consolidated Financial Statements" (together with the Audited Consolidated Financial Statements, the "Consolidated Financial Statements"). The current financial year, which will end on September 30, 2021, is referred to as "financial year 2020/2021". The audit reports, included elsewhere in this offering memorandum, express an unqualified opinion for each of the respective periods and the audit report in relation to the financial year 2019/2020 includes a material uncertainty paragraph related to going concern as set forth in Note 2 to such financial statements. In addition, the notes to the unaudited interim consolidated financial information as of and for the first quarter 2020/2021 also include a note regarding certain financial risks that represent a going concern risk for the Group. See *"Summary–Recent Developments–Paragraph on Material Uncertainty Related to Going Concern in Audit Report."*

The Audited Consolidated Financial Statements included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Unaudited Interim Consolidated Financial Statements included in this offering memorandum have

been prepared in accordance with international accounting standard 34 "Interim financial reporting" (IAS 34) as adopted by the European Union. Historical financial data in this offering memorandum denoted as "audited" was taken from the Audited Consolidated Financial Statements. Financial data in this offering memorandum denoted as "unaudited" was not taken from the Audited Consolidated Financial Statements but was taken from the Unaudited Interim Consolidated Financial Statements, our accounting or controlling records, or is based on calculations of these figures.

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

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

In this offering memorandum, references to "brick & mortar sales" refer to the line item "store sales" as presented in our Audited Consolidated Financial Statements and the line item "net sales stores" in our Unaudited Interim Consolidated Financial Statements. Adjusted EBITDA as presented in this offering memorandum differs from "Adjusted EBITDA" reported in our historical consolidated financial statements, which is labelled as "Adjusted EBITDA (as reported)" within this offering memorandum.

Certain Changes in Accounting Standards and Accounting Policies

On January 13, 2016, the International Accounting Standards Board ("IASB") published IFRS 16 and the European Union adopted IFRS 16 on October 31, 2017. IFRS 16 replaces the requirements of IAS 17 (Leases) and abolishes the classification of leases into operating leases and finance leases for lessees, replacing it with a uniform accounting model where leases are required to recognize a right-of-use asset and a corresponding lease liability. The right-of-use asset is amortized on a straight-line basis over the term of the lease and the majority of rental expense previously presented under IAS 17 as "other operating expense" is now recognized as depreciation of the right-of-use asset. Furthermore, interest expense results from the ongoing accrual of interest on the lease liability.

We adopted IFRS 16 on October 1, 2019, applying the modified retrospective method. As a result, the audited consolidated financial statements for the financial year 2017/2018 and the audited consolidated financial statements for the financial year 2018/2019 have not been restated for the adoption of IFRS 16 and thus are not directly comparable with our audited consolidated financial statements for the financial year 2019/2020. Given the size of our portfolio of leased stores, we had a significant number of leases formerly classified as operating leases under IAS 17. As a result, the adoption of IFRS 16 impacted our audited consolidated financial statements for the financial year 2019/2020 by €1,230.9 million recognized as right of use assets and €1,331.8 million recognized as lease liabilities. For more information, see notes 2, 13 and 25 of our audited consolidated financial statements for the financial year 2019/2020.

Other Financial Measures

In this offering memorandum, we present certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles and that may not be permitted to appear on the face of the financial statements or footnotes thereto. The primary non-IFRS financial measures used in this offering memorandum include capital expenditures, net working capital, cash conversion, free cash flow, like-for-like sales growth, like-for-like sales growth (brick & mortar), like-for-like sales growth (e-commerce), EBITDA (=reported EBITDA), Adjusted EBITDA (as reported), Adjusted EBITDA, Further Adjusted EBITDA for LTM December 2019, Management Adjusted EBITDA and certain leverage and coverage ratios (our "Non-IFRS Measures"). These non-IFRS Measures are not audited and constitute alternative performance measures under the European Securities and Markets Authority Guidelines on Alternative Performance Measures. Each of the EBITDA-based measures presented in this offering memorandum is defined and calculated differently from the definition of "Consolidated EBITDA" presented in the Indentures.

Our primary Non-IFRS Measures are defined as follows:

- “capital expenditures” is defined as the sum of additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the design and re-design of existing stores);
- “cash conversion” is defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA;
- “free cash flow” is defined as the sum of net cash flow from operating activities and net cash flow from investing activities;
- “like-for-like sales growth” (in %) is defined as sales growth from like-for-like brick & mortar and from e-Commerce, calculated for the period indicated and shown as a percentage change from the corresponding previous period:
- “like-for-like sales growth (brick & mortar)” (in %) consists of sales growth from like-for-like stores. A store is defined as like-for-like per each financial year when it has been open for at least one entire financial year as of the first day of the relevant period (excluding any temporary closures for COVID-19 related reasons), and is expected to be open for the full financial year. When comparing periods other than a financial year, e.g. the first quarters of the financial years 2018/2019 and 2019/2020, a store is defined as like-for-like if the store has been open in both first quarters and for at least one entire financial year (i.e. financial year 2018/2019, excluding any temporary closures for COVID-19 related reasons) and is expected to be open for the full financial year (i.e. financial year 2019/2020). One exception for the definition has been applied to the calculation of like-for-like sales from financial year 2017/2018 to financial year 2018/2019: In November 2017, we acquired Limoni S.p.A. (“Limoni”) and La Gardenia Beauty S.p.A. (“La Gardenia”). The acquired stores would not qualify as like-for-like since they only contributed 11 months instead of a full fiscal year and were moreover affected by numerous closings in financial year 2017/2018 and financial year 2018/2019. However, due to the size of the acquisition compared to the gap between 11 months and full fiscal year, we included the Italian acquisition in the like-for-like total for the financial year 2018/2019. As a result, like-for-like growth for financial year 2018/2019 on a Group total level has been reduced from 2.6% to 1.9% (brick & mortar from 0.4% to 0.2%). In the financial year 2017/2018, our brick & mortar sales included click & collect sales in France in the amount of €15.6 million. These click & collect sales were classified as e-commerce sales in subsequent periods;
- “like-for-like sales growth (e-commerce)” (in %) reflects our organic e-commerce sales growth, calculated for the period indicated, shown as a percentage change from the corresponding previous period. In the financial year 2017/2018, our e-commerce sales did not include click & collect sales in France in the amount of €15.6 million, which were instead classified as brick & mortar sales. Such click & collect sales were classified as e-commerce sales in subsequent periods;
- “net working capital” is defined as the sum of the sub-line items (i) inventories, (ii) trade accounts receivable, (iii) trade accounts payable, and (iv) other receivable and liabilities related to supplier receivables for rebates/bonuses and marketing subsidies as well as outstanding voucher liabilities;
- “EBITDA (= reported EBITDA)” is defined as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets;
- “Adjusted EBITDA (as reported)” is defined as EBITDA (= reported EBITDA) adjusted for those lease expenses and income in accordance with IAS 17 that are to be capitalized in accordance with IFRS 16, and adjusted for those items which, in the opinion and decision of the management of the Parent, are non-regularly recurring, exceptional or unsuitable for internal control, such as credit card fees, purchase price allocations, restructuring costs and severance payments, consulting fees and other adjustments;
- “Adjusted EBITDA” is defined as Adjusted EBITDA (as reported) adjusted for the reversal of credit card fees and bad debt from the ordinary course of our operational business (write-downs in connection with receivables from our customers). Adjusted EBITDA as presented in this offering memorandum differs from “Adjusted EBITDA” reported in our historical consolidated financial statements;

- “Further Adjusted EBITDA for LTM December 2019 is defined as Adjusted EBITDA adjusted further for the over or under accrual of supplier bonuses, loyalty card provisions, personnel bonuses and the re-phasing of certain adjustments related to COVID-19 and is the basis for our Management Adjusted EBITDA; and
- “Management Adjusted EBITDA” is defined as Further Adjusted EBITDA for LTM December 2019 for the twelve months ended December 31, 2019 adjusted for certain items to reflect management’s estimate of our recovery potential after the end of the COVID-19 pandemic, taking into account structural shifts that we have observed in our sales channels which we expect to continue as well as store closures and the impact of our Store Optimization Program and the impact of #ForwardOrganization.

By eliminating potential differences in results of operations between periods or companies caused by factors such as changes in our store network due to the addition of new stores by new openings, acquisitions, or entering new markets, or due to permanent closure of stores and depreciation and amortization methods, we believe like-for-like sales growth, EBITDA (= reported EBITDA), Adjusted EBITDA (as reported), Adjusted EBITDA, Further Adjusted EBITDA for LTM December 2019 and Management Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. We believe a presentation of capital expenditures, free cash flow and cash conversion is useful to investors to assess our liquidity. For these reasons, we believe that our Non-IFRS Measures and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

Our non-IFRS Measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered in isolation or as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Each of our non-IFRS Measures is defined and reconciled to its closest comparable IFRS measure under “*Summary – Summary Historical Financial and Other Information.*” Our non-IFRS Measures may not be comparable to other similarly titled measures of other companies, as not all companies calculate these financial measures in the same manner, and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Some of the limitations of non-IFRS Measures are that:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated statement of comprehensive income;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry and analysts may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, as well as further limitations discussed above, our Non-IFRS Measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. You should compensate for these limitations by relying primarily on our consolidated financial statements and using these Non-IFRS Measures only supplementally to evaluate our performance.

Furthermore, Management Adjusted EBITDA presented in this offering memorandum is illustrative and presented for information purposes only. Management Adjusted EBITDA is based on Further Adjusted EBITDA for LTM December 2019. This information does not represent the results that we would have achieved had the COVID-19 pandemic not occurred. We calculated Management Adjusted EBITDA using information derived from our unaudited management accounts and which are subject to significant assumptions and estimates. While we have commissioned a financial factbook for factual accuracy from the consultancy function of a leading international accounting firm in relation to Management Adjusted EBITDA, Management Adjusted

EBITDA has not been audited, reviewed or verified by any independent accounting firm. Therefore, Management Adjusted EBITDA is inherently subject to risks and uncertainties and may not give an accurate or complete picture of our results of operations for any historical or future period, may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be unduly relied upon when making an investment decision.

In consideration of the impact of the Transaction, we have also presented the following adjusted measures:

- “as adjusted interest expense” is defined as interest expense for the period from January 1, 2020 to December 31, 2020 as if the Transaction had been completed as of January 1, 2020 and consists of interest on the Notes and the Term Loan B Facility;
- “as adjusted total senior secured indebtedness” is defined as total senior secured indebtedness as adjusted for the Transaction reflecting the amounts outstanding under the Notes and the Term Loan B Facility, as if the Transaction had been completed as of December 31, 2020; and
- “as adjusted total indebtedness” is defined as total indebtedness as adjusted for the Transaction reflecting the amounts outstanding under the Notes and the Term Loan B Facility, as if the Transaction had been completed as of December 31, 2020.

The financial information for the twelve months ended December 31, 2020 is unaudited and has been calculated by adding the unaudited interim condensed consolidated financial information for the three months ended December 31, 2020, (as restated) derived from the Unaudited Interim Consolidated Financial Statements or the Group’s accounting records or management reporting and the historical financial information for the financial year 2019/2020, derived from the Audited Consolidated Financial Statements or the Group’s accounting records or management reporting, and subtracting the unaudited interim condensed consolidated financial information for the three months ended December 31, 2019 (as restated), also derived from the Unaudited Interim Consolidated Financial Statements or the Group’s accounting records or management reporting. The financial information for the twelve months ended December 31, 2020, has not been audited or reviewed by our auditors, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of our results of operations for such a period or any future period or any financial position at any past or future date.

The financial information for the twelve months ended December 31, 2019 is unaudited and has been calculated by adding the unaudited interim condensed consolidated financial information for the three months ended December 31, 2019 derived from the Unaudited Interim Consolidated Financial Statements or the Group’s accounting records or management reporting and the historical financial information for the financial year 2019/2020 and subtracting the unaudited interim condensed consolidated financial information for the three months ended December 31, 2018 (as restated), derived from the Group’s accounting records.

This offering memorandum includes certain as adjusted financial information as of and for the twelve months ended December 31, 2020, on an adjusted basis to give pro forma effect to the Transaction, including consolidated financial data as adjusted to reflect the effect of the Transaction on our indebtedness as if the Transaction had occurred on December 31, 2020 and on our interest expense as if the Transaction had occurred on January 1, 2020. The as adjusted financial information as of and for the twelve months ended December 31, 2020, has been prepared for illustrative purposes only and does not represent what the our indebtedness or interest expense would have been had the Transaction occurred on December 31, 2020, or January 1, 2020, respectively; nor does it purport to project our indebtedness or interest expense at any future date. The as adjusted financial information as of and for the twelve months ended December 31, 2020, has not been prepared in accordance with IFRS or with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any other generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting as adjusted financial information as of and for the twelve months ended December 31, 2020, have been audited or reviewed in accordance with any generally accepted auditing standards.

Rounding

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.

Other Information

We have commissioned a financial factbook for factual accuracy from the consultancy function of a leading international accounting firm in preparing Management Adjusted EBITDA. In addition, our Store Optimization Program (“SOP”) and #ForwardOrganization and associated EBITDA improvements and cash requirements that we have identified have been developed with a leading global consulting firm.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The following table explains the denotation of currencies used in this offering memorandum:

Symbol used	Lawful currency of
"EUR", "€" or "Euro"	the European Union
"USD" or "U.S. dollar" or "\$"	the United States of America
"CHF" or "Swiss franc"	Switzerland
"PLN" or "Polish zloty"	the Republic of Poland
"HUF" or "Hungarian forint"	Hungary
"CZK" or "Czech koruna"	the Czech Republic
"RON" or "Romanian leu"	Romania
"HRK" or "Croatian kuna"	Croatia
"BGN" or "Bulgarian lev"	Bulgaria

The table below sets forth, for the periods and dates indicated, the period end, average, high and low exchange rates, as published by Bloomberg Composite Rate (New York), expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The below rates may differ from the actual rates used in the preparation of our financial statements and the other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such U.S. dollar amounts, or that such amounts would have converted at a particular rate, if at all.

The Bloomberg Composite Rate of the euro on February 28, 2021 was \$1.2080 per €1.00.

Year	U.S. Dollars per €1.00			
	Period end	Average ⁽¹⁾	High	Low
2015	1.0856	1.1031	1.2103	1.0497
2016	1.0520	1.1035	1.1532	1.0389
2017	1.2005	1.1393	1.2036	1.0406
2018	1.1469	1.1782	1.2509	1.1218
2019	1.1214	1.1179	1.1543	1.0900
2020	1.2217	1.1472	1.2298	1.0691

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

The table below sets forth period end, average, high and low exchange rates of U.S. dollars per euro for each month indicated and for the period from March 1, 2021 through March 15, 2021.

Year	U.S. Dollars per €1.00			
	Period end	Average ⁽¹⁾	High	Low
January, 2021	1.2136	1.2174	1.2327	1.2077
February 1 through February 28, 2021	1.2075	1.2095	1.2175	1.1964
March 1 through March 15, 2021	1.1929	1.1967	1.2091	1.1847

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

The above rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that the Euro amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

SUMMARY

The following summary contains basic information about us and this 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 this offering, we encourage you to read this entire offering memorandum carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes to those financial statements contained elsewhere in this offering memorandum.

Overview

We believe we are the leading premium beauty platform in Europe, with total Group sales of €3,112.7 million, Adjusted EBITDA (as reported) of €250.2 million and Adjusted EBITDA of €235.2 million in the twelve months ended December 31, 2020. The majority of our sales are generated within the selective beauty distribution channel, which requires the formal authorization of a supplier to carry a selective product, as opposed to the mass market channel. As of December 31, 2020, we operate in 26 European countries with over 2,300 stores (including 141 franchised stores) in 20 countries and have e-commerce operations in 24 countries. According to the OC&C Market Review Update, in 2019 we held leading market positions in the premium beauty market (top 1-2) in all of our core markets except for Spain where we held the number 3 position. In those six core countries, we generated 90.7% of our sales in the financial year 2019/2020. In the financial year 2019/2020, we had an average number of 21,016 employees (salaried employees and excluding apprentices).

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and e-commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In October 2019, we launched our beauty marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories. As of December 31, 2020, our marketplace featured 101 partners and offered nearly 84,000 SKUs (in Germany including Parfumdreams and Niche Beauty). Our total e-commerce sales amounted to €1,006.3 million in the twelve months ended December 31, 2020, corresponding to 32.3% of our total sales. In the financial year 2019/2020, our e-commerce sales amounted to €821.5 million, or 25.4% of our total sales, corresponding to a CAGR of 39.3% during the financial year 2017/2018 to 2019/2020. In Germany, our e-commerce sales comprised 39.9% of our total sales in the financial year 2019/2020.

We primarily operate under the "Douglas" brand and under the "Nocibé" brand in France and Monaco. With nearly 130,000 different SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), we offer one of the industry's largest beauty and personal care product assortments available across a wide range of price points in both our brick & mortar and online stores. This assortment is complemented by a range of beauty-related nutritional supplements, accessories such as jewelry, home decorations and selected service offerings.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services. As a result, we have an extensive customer loyalty card program. As of September 30, 2020, we had more than 44 million Douglas Beauty Card / Nocibé Card holders across Europe. We believe that several factors make us a "must-have" distribution platform for the major suppliers of beauty products, such as our customer base, reputation, broad, well-invested store network in prime locations, and e-commerce capabilities.

We believe we are an innovation leader in omnichannel beauty retailing in Europe and already at the beginning of the financial year 2017/18, we launched our #FORWARDBEAUTY strategy where we put our online business at the center of our focus with the aim of becoming an integrated, data-based beauty platform. As part of this strategy, we have successfully modernized our brand logo and store design and continue to make investments in e-commerce. We have updated our successful #FORWARDBEAUTY strategy and have started to implement the next phase, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing even more on digitalization to create an integrated beauty platform and link our brick & mortar stores and e-commerce capabilities. In doing so, we aim to provide a more holistic journey for our customers.

Competitive Strengths

We believe that our business is characterized by the following competitive strengths:

Number one beauty destination in Europe

With total Group sales of €3,112.7 million in the twelve months ended December 31, 2020, we believe we are Europe's leading beauty platform in our core countries. According to the OC&C Market Review Update, in 2019 we held leading market positions in the premium beauty market (top 1-2) in all of our core markets except for Spain where we hold the number 3 position. Our operations in our six core countries generated 90.7% of our sales in the financial year 2019/2020. In Germany, with an estimated market share of 26% in 2019, we were the clear market leader in the premium beauty market in terms of sales. In France, with an estimated market share of 16% in 2019, we held the number two position and believe that we have strong market positions in most of our other markets. Based on the OC&C Market Review Update, we believe that in 2019, we generated almost the same amount of sales in premium beauty products as our next three closest competitors combined in our core markets. We had an estimated market share of 19% in our core markets as of September 30, 2020.

Since the opening of the first Douglas perfumery in 1910 in Hamburg, we have evolved into a highly trusted brand with a premium image that we believe has become synonymous with beauty in all of our core markets. Our anchor brand "Douglas" benefits from leading brand awareness across our core markets (other than France and Spain where we have the second highest brand awareness) with 95% awareness in Germany, 78% awareness in the Netherlands and 72% awareness in Italy and Poland, and our brand "Nocibé" benefits from 80% brand awareness in France according to the OC&C Market Review, which together drive traffic to our online shops and brick & mortar stores at low customer acquisition costs. We believe that customers see our Douglas and Nocibé brands as a synonym for beauty and associate us with being premium, modern and offering a large, diverse assortment. In addition, we believe that suppliers value our leading market position, scale, customer reach and pan-European presence, which together make us the partner of choice for both established and emerging brands as well as provide us with the purchasing power to constantly improve our purchasing terms (such as higher year-end discounts).

Leading online beauty platform in Europe

We believe we are the number 1 European online beauty player in our core countries combined with a strong presence in the fast growing online premium beauty market. As of December 31, 2020, our online platform in Germany had nearly 130,000 different SKUs (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), and featured more than 1,800 brands (as of September 30, 2020), with over 365 new brands added in the financial year 2019/2020. In the financial year 2019/2020, total visits for our dedicated Douglas App (in Germany, excluding Parfumdreams and Niche Beauty) exceeded 39 million. In total, we experienced over 474 million total visits during the financial year 2019/2020. Our e-commerce sales have grown at a CAGR of over 29.2% in the last 8 years and a CAGR of 39.3% since the financial year 2017/2018. For the twelve months ended December 31, 2020, our e-commerce sales amounted to €1,006.3 million, representing 32.3% of our total sales for the period.

We believe that we benefit from a growing base of recurring online customers and especially omnichannel who have historically made stable revenue contributions and have continued to increase in number even during the COVID-19 pandemic. In addition, we believe that the COVID-19 pandemic has fundamentally changed customer behavior and further accelerated the shift towards online retailing even outside of national lockdowns. For example, even though most of our stores were open from June to October following the first wave of national lockdowns, our e-commerce sales increased from €219 million between June 1, 2019 to October 31, 2019 to €325 million between June 1, 2020 to October 31, 2020 while our e-commerce Adjusted EBITDA increased from €25 million between June 1, 2019 to October 31, 2019 to €48 million between June 1, 2020 to October 31, 2020. In addition, in the financial year 2019/2020, our total visits and active customers amounted to 474 million and 10 million, respectively, representing an increase of 39.3% and 40.6%, respectively, as compared to the previous year. In Germany in the financial year 2019/2020, the share of sales (excluding Parfumdreams and Niche Beauty, including VAT) attributable to mobile revenue increased by 1.9 percentage points to 64.1% of our total e-commerce sales in Germany, including an increase in the share of sales attributable to our Douglas App, which increased by 3.9 percentage points to 23.7% of our total e-commerce sales in Germany. Over the same period in Germany (excluding Parfumdreams and Niche Beauty), our conversion rate, defined as the proportion of site visitors who complete the purchasing process, among our Douglas Beauty Card holders remained relatively stable at 3.6% and the average e-commerce basket size of Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty, including

VAT and before sales deductions, which are in this specific case liabilities deducted from sales arising when customers use points from their Douglas Beauty Cards earned through purchases to get products discounts or vouchers on future purchases) increased by 9.8% to €65 as compared to the previous year. For the financial year 2019/2020 in Germany, (excluding Parfumdreams and Niche Beauty), our average cost per online order was €6.78, and our online acquisition cost decreased at a CAGR of 5.2% since the financial year 2017/2018.

We continue to invest in our e-commerce capabilities and in the financial year 2019/2020, launched our "Douglas LIVE" shopping service where our beauty advisors, influencers and brand testimonials introduce products via livestream that can be immediately purchased by customers as well as a "ship-from-store" delivery option. To further complement our online platform, we launched the first dedicated European premium beauty marketplace in October 2019 (initially in Germany, and in France and Austria in 2020) and generated total platform sales of approximately €13 million in the first quarter 2020/2021. Through our marketplace, we exclusively partner with third party retailers and brands to further expand our product assortment and revenue streams and enter new product categories such as pharma beauty, jewelry, home accessories and fashion without having to build up inventories or incur logistics costs. As of December 31, 2020, our marketplace featured 101 partners including beauty suppliers like Talea, online pharmacies like apo-rot (belonging to the Doc Morris Group), or vendors of accessories and jewelry like Brandfield, Butlers or Christ and offered nearly 84,000 different SKUs (in Germany including Parfumdreams and Niche Beauty). In addition, we believe that our marketplace boosts cross-selling through increased online traffic and provides additional data to improve our data analytics and customer view. The marketplace function is currently active in our online shops in Germany, Austria and France. It is expected to be rolled out to Poland in March 2021 and we are planning to add other core markets such as the Netherlands and Italy in the financial year 2020/2021.

Diversified leader with strong omnichannel operations in large, structurally growing and resilient European beauty market

The European premium beauty market in our core markets totaled €13.8 billion in 2019 and has demonstrated resilience in challenging retail trading environments and partly through the COVID-19 pandemic. Beauty products (fragrances, skin care (including body care) and also color cosmetics) are often perceived as accessible high-value gifts and so-called "personal rewards", which has contributed to the demand for such products remaining relatively stable. The market historically saw a balanced split between product categories with skin and body care, fragrances, makeup and hair cosmetics accounting for 46%, 20%, 16% and 18% of the total market, respectively, in 2019. However, the effects of the COVID-19 pandemic such as the increased use of masks as well as working from home have led to an increase in our sales of skin and body care products and a decrease in our sales of makeup products.

The European beauty market is increasingly shifting to the premium segment, with high margin luxury, niche and prestige products accounting for 36% of the market in 2019. The European beauty market in our core markets grew at a CAGR of 2.3% between 2015 and 2019 with the premium segment growing at a CAGR of 2.9% over the same period. Within the premium segment, the share of e-commerce sales has more than doubled in size between 2015 and 2019.

We believe that our intuitive and comprehensive omnichannel offering across our online and offline channels makes us an attractive partner for suppliers and also well-placed to capitalize on growth in the underlying European beauty market. We focus mainly on the premium beauty market, an attractive sub-segment of the broader beauty and personal care market where manufacturers of premium brands limit the distribution of their products to selected qualified retailers. Suppliers thus favor trusted retailers with strong brand awareness who can offer appropriate brand presentation and store appearance, high levels of customer service from specially trained employees, breadth of product assortment and broad customer and geographical reach. As a result, we believe that the high integration of our online and mobile interfaces and brick & mortar stores helps ensure that brands are positioned appropriately and make us an attractive partner for suppliers.

In addition, we believe that customers in the beauty retail sector increasingly shop online to save time, money and effort, but still wish to see, touch, feel, smell and test products in person in the store. To further enhance our customer's omnichannel shopping experience, we offer a number of highly integrated cross-channel services along various customer touch points, covering pre-sales information, stock availability, consultation, payment as well as delivery of products and returns. These services include in-store orders, click & collect, "ship from store" delivery, online stock information, online appointment scheduling before store visits as well as cross-channel couponing. For the financial year 2019/2020, in Germany (excluding Parfumdreams and Niche Beauty), our average return cycle in days was 2.49. In the financial year 2019/2020, the percentage of customers who purchased additional products during click & collect was 18.9% (in Germany excluding Parfumdreams and Niche Beauty).

Among our Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty), the share of our customers shopping via the omnichannel model has increased from 12.4% in the financial year 2016/2017 to 17.4% in the financial year 2019/2020. The share of customers shopping via the omnichannel was approximately twice as high among customers who were beauty card holders aged 16-35 years old. In addition, we believe that the omnichannel model increases customer engagement. For example, these omnichannel customers have a higher order frequency and therefore annual sales than customers who use only one channel. Among Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty) in the financial year 2019/2020, customer spend per year and number of purchases per year per customer for our omnichannel customers was twice as high as compared to customers who shopped only online or in our brick & mortar stores.

Well-placed for future growth via differentiated #FORWARDBEAUTY strategy

We believe we are an innovation leader in omnichannel beauty retailing in Europe and already at the beginning of the financial year 2017/18, we launched our #FORWARDBEAUTY strategy where we put our online business at the center of our business with the aim of becoming an integrated, data-driven beauty platform. The strategy was based on the following pillars and we believe repositioned us as a modern, premium brand that is well-placed for future growth. We have updated our successful #FORWARDBEAUTY strategy and have started to implement the next phase, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing even more on digitalization to further develop integrated beauty platform and link our brick & mortar stores and e-commerce capabilities. In doing so, we aim to provide a more holistic journey for our customers. See "*Strategy—Further implement #FORWARDBEAUTY.DigitalFirst.*"

Brand positioning. We rejuvenated the Douglas brand with a new, updated logo, more modern and premium positioning as well as new visual brand language.

Store experience. We are developing our stores from being a point of sale to a point of experience for customers. We have established store clusters and invested in related store modernizations in order to facilitate a more tailored approach to each store's assortment, visual presentation, services and pricing. Formats range from flagship stores in high traffic locations in major cities that carry our full assortment and feature premium visual merchandising, luxury stores in high-end locations that carry luxury and niche brands and feature a more boutique design, prestige stores in premium neighborhoods that carry "must have" and trend brands and feature a sophisticated design and premium stores in prime shopping locations that focus on bestsellers and feature a more mainstream design. To enhance the "touch and feel" experience for customers, each store format also features a range of services such as beauty treatments, hairdressing and beauty school sessions. We believe that our new flagship stores, which have been established in key European cities such as Frankfurt, Berlin, Milan, Madrid, Hamburg and Munich, provide a best-in-class customer experience with features such as organic beauty products, niche perfumes, beauty lounges with treatment rooms as well as dedicated customer service stations.

Assortment. We have a broad assortment, featuring nearly 130,000 different SKUs on our online platform (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), which represents over twice the number of SKUs offered by our closest competitor. Our attractive product portfolio is balanced between fragrances, color cosmetics, skin care, and other products, which each comprised approximately 48%, 23%, 27% and 2% of our total sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams, and Niche Beauty) for the financial year 2019/2020, respectively. We feature many different major regional and international brands such as Chanel, Lancôme, Kiehl's, The Ordinary and Tom Ford sourced from suppliers with whom we maintain strong and often long-term relationships. In addition, we complement our broad assortment of selective products with products from exclusive brands such as Kylie Skin, Honest Beauty and Drunk Elephant and own brand products. In October 2019, we further bolstered our assortment with the launch in Germany of the first dedicated European premium beauty marketplace from an omnichannel player, which as of December 31, 2020, contributed nearly 84,000 different SKUs (in Germany including Parfumdreams and Niche Beauty) through our third-party retail and brand partners. We believe that properly curating our assortment is a key factor in customer retention and continue to identify new product categories and source emerging brands via our trend scouting process.

Customer relationship management. We have an extensive customer loyalty card program, which we believe is one of the largest among premium beauty in Europe. As of September 30, 2020, we had more than 44 million Douglas Beauty Card / Nocibé Card holders across Europe. As part of our #FORWARDBEAUTY.DigitalFirst strategy, we have adopted a data-centric approach to our customer relationship management. Using customer behavioral data collected from online purchases, use of our loyalty card and our marketing channels, our customer relationship management analytics allow us to personalize all future customer interactions across all channels by clustering customers into segments and providing them

with tailored product recommendations, product news and other content. We believe that such personalized curation drives customer loyalty. In the financial year 2019/2020 in Germany (excluding Parfumdreams and Niche Beauty), the number of purchases per year per customer was 3.0 for Douglas Beauty Card holders and 5.4 for Douglas Beauty Card holders who used the Douglas App. Over the same period in Germany (excluding Parfumdreams and Niche Beauty and including VAT), the average spend per customer was €52.1 for Douglas Beauty Card holders and €53.4 for Douglas Beauty Card holders who used the Douglas App (compared to €50.8 for all customers in Germany). In addition, our customer interaction rates on our e-commerce platform have significantly increased, with our average daily social media reach (excluding Parfumdreams and Niche Beauty) amounting to 3.1 million in the financial year 2018/2019 and increasing to 8.0 million in the financial year 2019/2020. For the financial year 2020, in Germany, Italy, Spain and the Netherlands, we had average online traffic of over 500,000 customers per day.

Technology. We believe that our established technological infrastructure, comprised of our seamless and comprehensive omnichannel offering across online and offline channels, our state-of-the-art supply chain and flexible logistics network and our data-driven customer relationship management system, has enabled us to cope with changing customer behavior, in particular, the shift towards online retailing, which has accelerated as a result of the COVID-19 pandemic.

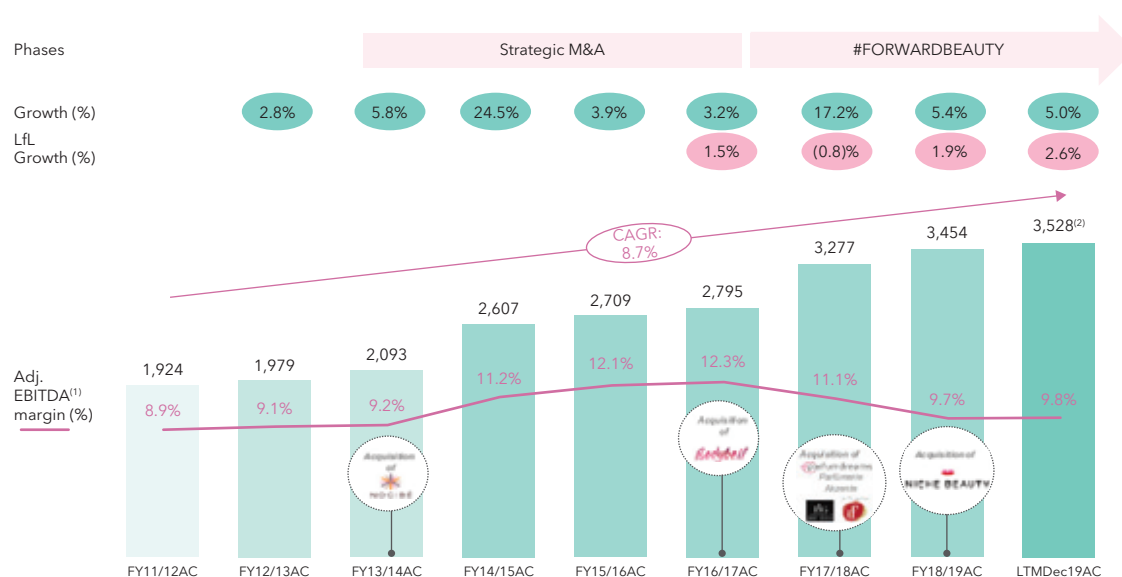
We have updated our #FORWARDBEAUTY strategy and are now implementing the next phase, known as #FORWARDBEAUTY.DigitalFirst. See “–Strategy–Further implement #FORWARDBEAUTY.DigitalFirst strategy” below.

Solid financial profile with strong momentum before COVID-19 that achieved market share gains in last financial year

We believe that we demonstrated the resilience of our business during the COVID-19 pandemic, having achieved segment share gains in the total premium beauty market across our core markets in both our online and store channels, including increases in overall segment share of 1.6 percentage points to 45.5% in Germany, 1.6 percentage points to 28.3% in France, 0.1 percentage points to 11.8% in Spain and 0.5 percentage points to 24.6% in Italy for the twelve months ended December 31, 2020 as compared with the previous year (excluding certain competitors such as Amazon e-commerce and Flaconi in Germany).

Prior to the COVID-19 pandemic, our consolidated sales had consistently grown over the last 8 years, supported by organic growth, strategic acquisitions and the implementation of our #FORWARDBEAUTY strategy, and our total consolidated sales amounted to €3.45 billion in the financial year 2018/2019. Bolstered by investments and initiatives undertaken in 2017 such as a new pricing strategy in Germany to optimize our price positioning, cost optimization measures aimed at maximizing operational efficiencies, achieving cost discipline and right-sizing our existing store portfolio as well as significant brand investments to increase sales of our own brand products and increase exclusive brand partnerships, our like-for-like total Group sales grew 1.9% from the financial year 2017/2018 to the financial year 2018/2019. In addition, we exhibit strong underlying free cash flow generation due to our high margins, low capital expenditures comprised mainly of investments in stores and central organizational functions and strict working capital management.

The chart below sets out our Adjusted EBITDA margin, net sales, net sales growth and like-for-like sales growth for the periods indicated.



- (1) Adjusted EBITDA as presented in this offering memorandum differs from Adjusted EBITDA (as reported) in our historical consolidated financial statements. The chart shows margins for Adjusted EBITDA (as reported) up to financial year 2014/2015; and from financial year 2015/2016 onwards, the chart shows Adjusted EBITDA margin (i.e. margin for Adjusted EBITDA (as reported) post credit card fees and bad debt). See "Presentation of Financial Information".
- (2) Includes accounting for foreign exchange rates.

We have acted quickly in the face of the COVID-19 pandemic in order to preserve the strength of our business. For example, we have worked to preserve business continuity and cash flow generation by implementing health and safety measures across all our stores in accordance with government guidelines, focusing on store-to-customer delivery in our core market of Germany and significantly expanding our e-commerce capabilities through establishing a call center for online shoppers, increasing customer engagement through push notifications on our Douglas App as well as offering click & collect services in the second wave of lockdowns. We believe that our response to the COVID-19 pandemic as well as the shift in customer demand to e-commerce have resulted in like-for-like sales for e-commerce increasing by 58.2% for the twelve months ended December 31, 2020 as compared with the previous year and our total e-commerce sales exceeding €1 billion for the first time in the twelve months ended December 31, 2020. In addition, our brick & mortar gross profit margin remained relatively stable from 46.4% in the twelve months ended December 31, 2019 to 45.6% in the twelve months ended December 31, 2020 while our e-commerce gross profit margin also remained relatively stable from 41.0% to 40.8% over the same period. While our brick & mortar Adjusted EBITDA margin decreased from 14.4% in the twelve months ended December 31, 2019 to 10.3% in the twelve months ended December 31, 2020, our e-commerce Adjusted EBITDA margin increased from 14.6% to 16.2% over the same period.

We are also actively managing our liquidity needs through strict cost and cash management and reporting, negotiating rent for our leased premises and taking advantage of rent deferrals where available, actively managing personnel expenses and working with suppliers to extend payments terms and manage returns. As a result, excluding proceeds from our drawdown of our existing revolving credit facility, our cash on balance sheet amounted to €90.8 million as of September 30, 2020 as compared to €81.0 million (excluding proceeds from our drawdown of our existing revolving credit facility) as of September 30, 2019.

Experienced and committed management team with strong sponsor support

We have an experienced executive management team with more than 70 years of combined experience in the retail industry, the cosmetics industry and in e-commerce, including our CEO Tina Müller, who has been with us since 2017 and initiated our differentiated #FORWARDBEAUTY and #FORWARDBEAUTY.DigitalFirst strategies, Matthias Born who has been our CFO since 2019, Vanessa Stütze, our Chief Digital Officer who has been responsible for our online business and customer relationship management since 2018 and Dr. Michael Keppel, our Chief Restructuring Officer who joined us in July 2020. Tina Müller has more than 20 years of experience in the cosmetics industry and previously held international executive positions at Wella and Henkel. Matthias Born was previously the CFO / COO of CBR Fashion and has over 10 years of dedicated experience in retail. Vanessa Stütze is the former Chief Digital Officer of the s.Oliver

Group and has over 14 years of experience in the field of retail digitization and e-commerce. Dr. Michael Keppel has over 25 years of restructuring experience, especially in the wholesale and retail industry. We believe that our management team has successfully transformed us over the past few years from a traditional, brick & mortar beauty retailer into a modern, technology and data-driven beauty platform that is a leading beauty destination in Europe.

We continue to have strong shareholder support, including from CVC, a leading private equity and investment advisory firm with approximately U.S.\$118 billion assets under management and which has to date secured commitments of over U.S.\$160 billion from some of the world's leading institutional investors. To support the Transaction, our shareholders, including the CVC Funds and the Founder Co-Investors, the Kreke family, will indirectly contribute cash of €220 million.

Strategy

In order to achieve sustainable growth and further increase our profitability, we focus on clearly defined key strategic objectives, leveraging the various strategic and operational measures we have implemented. Our strategic goals can be summarized as follows:

Further implement #FORWARDBEAUTY.DigitalFirst

We have updated our successful #FORWARDBEAUTY strategy and intend to implement the next stage, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing on further digitalization in order to create a holistic journey for our customers that spans across an integrated beauty platform that intuitively links our brick & mortar stores and e-commerce platform. Our strategy is comprised of the following elements:

Brand Positioning: As part of our #FORWARDBEAUTY strategy, we rejuvenated and upgraded the Douglas brand. We continue to focus on our positioning as a premium brand. In addition, we believe that strong niche brands like Parfumdreams and Niche Beauty complement our brand portfolio and attract different customer groups.

Store experience. As part of our #FORWARDBEAUTY strategy, we began developing our stores from being a point of sale to a point of experience for customers and are continuing to invest in store modernizations and formats.

Assortment. We believe that our broad assortment, which amounted to nearly 130,000 different SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), differentiates us from our competitors and will continue to build our relationships with suppliers with the aim of being their partner of choice for their top brands. We will also continue to add partners to our marketplace in order to strengthen our online platform as a one-stop-shop for beauty for our customers. We also intend to selectively enter new product categories that we believe are suitable for our business model such as the health and wellbeing segment.

Supply chain transformation. We are in the process of centralizing and streamlining our supply chain by integrating our physical and digital supply chain. We are moving towards a One Warehouse, All Channels ("OWAC") approach to physical supply chain where each of our logistic facilities will service our physical stores and e-commerce platform as well as handle partner fulfillment for our marketplace by carrying up to 150,000 SKUs per site. We intend to anchor our logistics operations with five distribution centers across Europe and in December 2020, started construction on the first site in Germany, which is fixed with ARVATO to serve the region Germany (excluding Niche Beauty), Austria, Switzerland and the Netherlands (which based on sales represented approximately 50% of the Group's supply chain) which is expected to ship out its first orders in 2022. We currently expect that all five facilities will be owned, staffed and managed by third party logistics partners and thus will require no material capital expenditures. In addition, we began in December 2020 to digitalize our entire supply chain management with AI-powered forecasting and replenishment software with machine learning algorithms from RELEX solutions that we believe will enable us to increase product availability, improve inventory allocation, accelerate stock rotation in stores, improve labor productivity in stores and logistics facilities, and improve the impact of our marketing campaigns. The new system is currently being implemented in Germany and we expect the full transformation of our supply chain management to be complete in the next three years.

Data hub. Data is the key element of our #FORWARDBEAUTY.DigitalFirst strategy. We have developed and with each additional customer transaction, are continuing to build a Douglas data hub that collects data from our stores, our customer relationship management system, our website, our Douglas App

and retail and marketplace data, as well as our performance marketing data. We intend to use this growing collection of data to train our machine learning algorithms, which in turn will enable us to manage our internal processes more efficiently, improve individualized customer offers and ultimately drive profitability.

Curation/CRM. We will continue to build and refine our data-centric customer relationship management system, which will enable us to deliver 1:1 marketing to customers by harmonizing customer data and customer journey tracking to allow more personalized curation across all channels in order to drive higher conversion rates and increase basket sizes. For example, we have introduced features such as individualized product news, beauty tips and product recommendations in our personalized newsletter (of which we sent over 1.2 billion copies across Germany, Italy, the Netherlands and Spain in the financial year 2019/2020), a personalized start page when customers visit our online shop, replenishment reminders and personalized push notifications through our Douglas App.

Complement accelerating e-commerce channel with Store Optimization Program

We believe that the COVID-19 pandemic has further accelerated the shift towards online retailing. As a result, in the summer of 2020, we began to reevaluate our store network based on economic viability and strategic fit in a post-COVID-19 “new normal”. Following a top-down and detailed bottom-up analysis of our store network supported by external experts, we have created our SOP to actively improve profitability of our store network. Our SOP target is to close approximately 500 stores by the end of September 2022 across our network with a focus on Southern Europe, where there is a high store density within numerous catchment areas due to our historical acquisitions. To implement the SOP optimally and ensure well-managed store closures, we have developed detailed operational playbooks. We also have established a dedicated external team that reports directly to our CRO and engages with our country implementation teams to ensure that best practices are shared, and progress is tracked. In addition, we are in the process of optimizing staffing levels at our stores to improve efficiency and react to the reduction in store traffic as well as COVID-19-inflicted changes in customer behavior. As part of our SOP, we are also targeting rent improvements and intend to actively re-negotiate leases with our landlords for stores that will remain open. Based on the various elements of our SOP, we have identified potential for an overall improvement in our EBITDA of approximately €100 million as well as one-off net cash requirements (excluding any additional legal and consulting fees) of approximately €53 million by the end of the financial year 2021/2022. These costs have been reflected to a smaller degree in our financial statements, as the SOP was announced in January 2021, but execution has partially started beforehand.

Launch #ForwardOrganization in line with digital first strategy

In line with our #FORWARDBEAUTY.DigitalFirst strategy, we intend to implement #ForwardOrganization, which aims to standardize, harmonize and centralize aspects of our internal functions in order to improve efficiency and realize synergies across regions. As a first step, we have started the centralization of certain key functions such as e-commerce, customer relationship management and pricing. In connection with #ForwardOrganization, we have identified the potential for an overall improvement in our EBITDA of approximately €18-20 million as well as one-off cash effects (excluding any additional legal and consulting fees) of approximately €25 million.

The Transaction

On the Issue Date, the Issuers will issue the Notes offered hereby and use the proceeds of the Offering, together with proceeds from borrowings under the Term Loan B Facility under the Senior Secured Facilities Agreement, and a €220 million indirect cash contribution by our shareholders (the “Equity Contribution”) to (1) fund the redemption of the Existing Senior Secured Notes and Existing Senior Notes; (2) repay all amounts outstanding under the Existing Senior Secured Facilities (including amounts outstanding under the existing revolving credit facility); (3) fund cash on hand and (4) pay fees and expenses incurred in connection therewith (together, the “Transaction”).

Post-Closing Reorganization

Immediately after the Issue Date, it is the current intention to merge the Senior Secured Notes Issuer into the Parent and subsequently to merge the surviving entity into TopCo (the “Post-Closing Mergers”). As a result of the Post-Closing Mergers, all intercompany liabilities between TopCo, the Parent and the Senior Secured Notes Issuer would cease to exist by operation of law. In addition, TopCo, as the surviving entity, will acquire all of the rights and assets, and will assume all of the obligations, of the Parent and the Senior Secured Notes Issuer. As a result, TopCo would become the successor Senior Secured Notes Issuer and will assume all of the obligations of the Senior Secured Notes Issuer. In addition, the Note Guarantees of TopCo and the Parent will be extinguished.

Following completion of the Post-Closing Mergers, LuxCo 3 and MEP 2 KG will establish or acquire KB A, a German company to be formed following the Issue Date in connection with the Post-Closing Reorganization that will initially be the direct subsidiary of LuxCo 3. LuxCo 3 will then contribute the Senior PIK Notes Issuer into the share premium of KB A such that KB A will become the new direct parent and sole shareholder of the Senior PIK Notes Issuer. The shares of TopCo held by LuxCo 3 and MEP 2 KG will then be contributed into the Senior PIK Notes Issuer such that the Senior PIK Notes Issuer will become the new direct parent and sole shareholder of TopCo. In connection with such steps, any security granted over the shares of the Senior PIK Notes Issuer and TopCo, as applicable, in favor of the Senior Secured Notes and the Senior PIK Notes, as applicable, will be released and retaken. In addition, KB A will assume the obligations of TopCo under the Shareholder Loans and consequently, the security granted over the Shareholder Loans in favor of the Senior Secured Notes and the Senior PIK Notes will be released. The steps referred to in this paragraph are together, the "Senior PIK Issuer Reorganization" and together with the Post-Closing Mergers, the "Post-Closing Reorganization").

Following the Post-Closing Reorganization, further profit and loss transfer agreements may be entered into between KB A, the Senior PIK Notes Issuer and the Senior Secured Notes Issuer in order to create a consolidated tax group between such entities.

There is no assurance that all or any of the steps of the Post-Closing Reorganization will be completed in the anticipated timeframe or at all. See *"Risk Factors—Risks Related to our Structure—The interests of our shareholders may conflict with the interests of the holders of the Notes"* and *"Risk Factors—Risks Related to our Structure—The Issuers are dependent upon cash flow from subsidiaries or other group entities to meet its obligations on the Notes and the Note Guarantees"*.

The Issuers

The Senior Secured Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on January 16, 2015, under the laws of Germany. The Senior Secured Notes Issuer is registered with the commercial registry of the local court of Düsseldorf under the number HRB 79074. The Senior Secured Notes Issuer's principal business address is Luise-Rainer-Straße 7-11, 40235 Düsseldorf.

The Senior PIK Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on January 28, 2021, under the laws of Germany and registered with the commercial registry of the local court of Düsseldorf under the number HRB 92283. We are in the process of registering the Senior PIK Notes Issuer under the name Kirk Beauty SUN GmbH and changing its principal business address.

Recent Developments

Impact of COVID-19

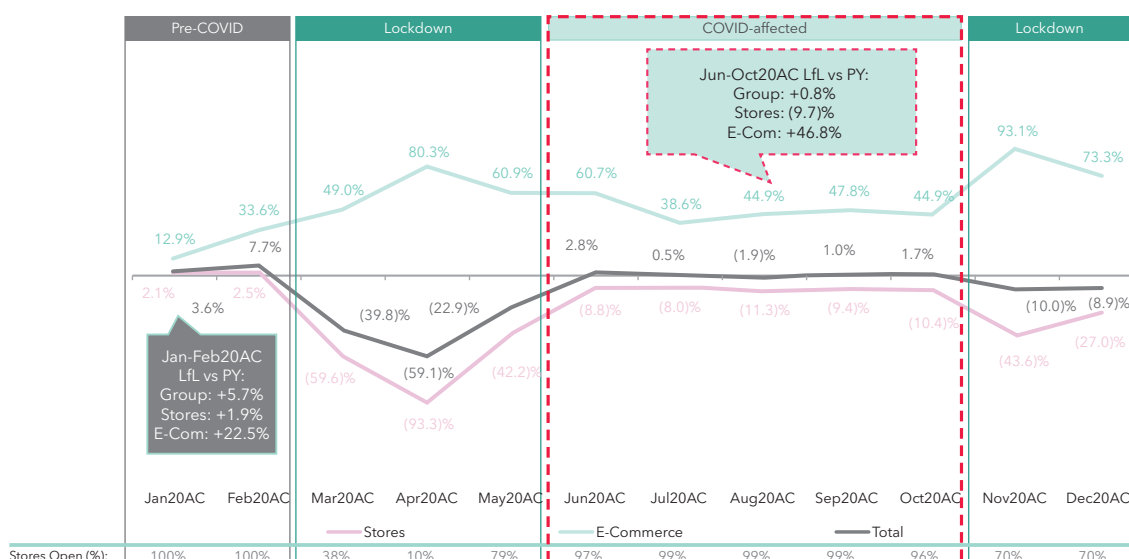
The global outbreak of COVID-19 has had a significant effect on our industry and our business. To reduce the spread of COVID-19, governmental authorities across the countries where we operate implemented measures such as restrictions on travel and the closure of national borders, as well as the imposition of quarantines, stay-at-home orders, workplace closures, curfews, limitations on building occupancies and other social distancing measures.

A significant feature of these measures was the order for non-essential shops to temporarily close during two waves of national lockdowns beginning in March 2020. These measures led to the temporary closure of the majority of our brick & mortar stores for periods throughout 2020. For example, by the beginning of April 2020, nearly all of our stores were closed. Although the majority of our stores slowly re-opened after the end of April 2020 dependent on the countries where they are located, some stores remained closed or closed again during subsequent lockdowns or are operating with reduced workforces and shortened opening hours. As at the date of this Offering Memorandum, the majority of our stores in Germany and more than one third of our stores in France remain closed. Our stores in the Netherlands have recently reopened on a by-appointment basis. As a result, our store traffic and sales have not reached pre-lockdown levels. For example, in our six core countries, as of December 31, 2020, only 53.7% of our stores were open. The drop in customer footfall in many locations led to significantly lower brick & mortar sales, and in the periods following the lockdown, extended hygiene measures (such as requirements to provide disinfectants, wear masks and limits on the number of customers in our stores) had to be implemented in stores for the health and safety of our customers and employees, which also resulted in lower footfall. Despite the decrease in sales, fixed costs, particularly in the form of personnel and rental expenses, have not fallen to the same extent. Overall, the COVID-19 pandemic primarily contributed to a decline of our brick & mortar sales by 15.8% in financial year 2019/2020 compared to the financial year 2018/2019 and 28.8% in the first quarter of 2020/2021 compared to the first quarter of the prior year.

We have taken and continue to take a number of actions in response to the COVID-19 pandemic in particular the expansion of our e-commerce capabilities and related customer support, focusing on tight cash management, negotiating rent for our leased premises and taking advantage of rent deferrals where available, actively managing personnel expenses, taking advantage of government subsidies such as short-term work or temporary dismissals, and working with suppliers to extend payments terms and manage returns. In addition, we believe that our experience from the first wave of lockdowns implemented across Europe in spring 2020 prepared us for the second wave of lockdowns in the second half of 2020. For example, we increased our warehouse capacities to support growing e-commerce sales, further enlarged our assortment to nearly 130,000 different SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace) and further established alternative order channels including ship from store, click & collect and orders placed over the telephone. It is difficult to predict the medium to long-term effects of the COVID-19 pandemic on the European premium beauty market and we continue to closely monitor any decisions taken by the governments in the regions where we operate.

In addition, we believe that the COVID-19 pandemic has further accelerated the shift towards online retailing even outside of national lockdowns, which has in turn positively affected our e-commerce sales. For example, in the period from June to October 2020, when our stores were predominantly opened following the first wave of lockdowns, our e-commerce net sales increased to €325 million, a 48.4% increase compared to the same period in the prior year and our store net sales decreased to €926 million, a 9.8% decrease compared to the same period in the prior year. Over the same period, our e-commerce Adjusted EBITDA increased to €48 million, a 97% increase compared to the same period in the prior year and our store Adjusted EBITDA decreased to €74 million, a 41% decrease compared to the same period in the prior year.

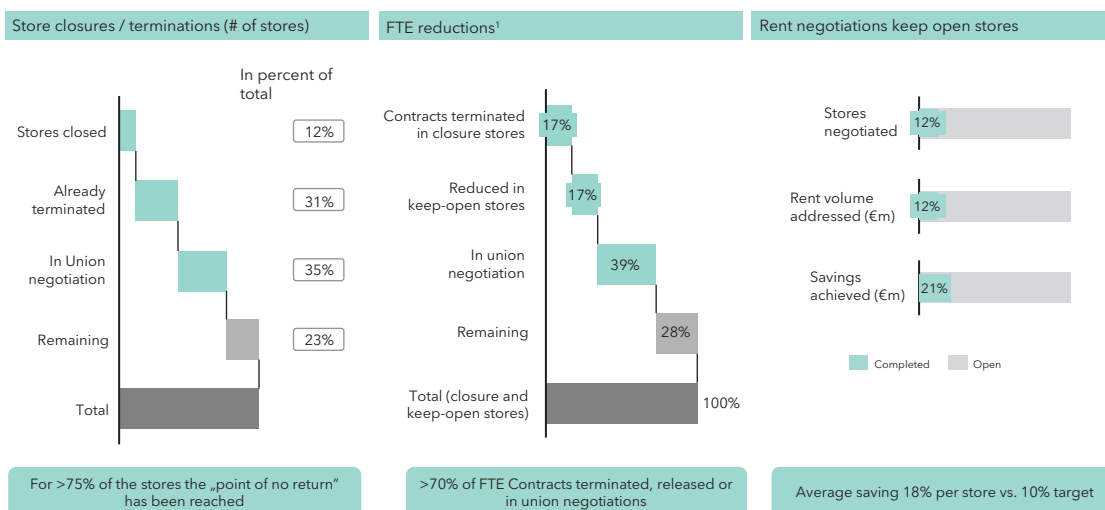
The chart below sets out our like-for-like monthly sales growth by channel (excluding the segment "Others") for the twelve months ended December 31, 2020 as well as the percentage of our stores that remained open over the same period (calculated based on average end of the week (Friday) data per month).



The German government imposed a second lockdown from December 16, 2020, which was recently extended generally to March 28, 2021, subject to developments by region which may lead to the lockdown being lifted in certain regions on an earlier date. On January 14, 2021, the French government announced new measures in response to the COVID-19 pandemic, including a stricter curfew that was extended to the entire country. On January 31, 2021, France closed its borders to all non-EU countries, except for hauliers, and as of the date of this offering memorandum, the curfew remains in place. In addition, in the Netherlands, a national lockdown and curfew is currently slated to remain in place until the end of March 2021. In Poland, the government announced a new nationwide lockdown starting on March 20, 2021 until at least April 9, 2021. As of February 26, 2021, 64.3% of our stores were open across our six core countries.

Store Optimization Program

In light of the shift in customer behavior towards online retailing, which has been accelerated by the COVID-19 pandemic, we have launched our Store Optimization Program ("SOP"). Our SOP targets closing approximately 500 stores by the end of September 2022 across our network with a focus on Southern Europe, where our sales from brick & mortar stores were particularly affected by the COVID-19 pandemic and where there is currently high overlap in store locations due to our historical acquisitions. The chart below sets out the progress made on our SOP as of February 16, 2021.



Paragraph on Material Uncertainty Related to Going Concern in Auditor's Report

The auditor's report in relation to the audited consolidated financial statements for the financial year 2019/2020 included elsewhere in this Offering Memorandum contains a material uncertainty paragraph in relation to going concern. As described in Note 2 to the audited consolidated financial statements for the financial year 2019/2020, as a result of the adverse impacts of COVID-19 on our business, in particular the temporary closure of the majority of our brick & mortar stores for periods throughout 2020, there is uncertainty in relation to our ability to forecast our pace of recovery from the effects of the COVID-19 pandemic, the eventual levels to which our results of operations will return as well as our cash flows, which are in each case dependent on the re-opening of our brick & mortar stores, any future government-imposed restrictions or lockdowns in the countries where we operate that result in further store closures as well as developments that could offset the effects of brick & mortar store closures such as the continued shift towards online retailing as well as the optimization of our store network through our SOP. These events or conditions, along with the other matters as set forth in Note 2 to the audited consolidated financial statements for the financial year 2019/2020, including that our Existing Senior Secured Notes, our Existing Senior Notes and our Existing Senior Secured Facilities mature in 2022 and 2023 and liquidity risks from extended periods of store closures, indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. In addition, the notes to the unaudited interim consolidated financial information as of and for the first quarter 2020/2021 include a note setting out the risks described above as representing material uncertainty related to a going concern risk for the Group.

Current Trading

Based on unaudited preliminary management accounts, our sales for the two months ended February 28, 2021 amounted to approximately €352 million. Our preliminary management accounts indicate that our sales are approximately 31% lower than in the comparable period in 2020. In addition, based on unaudited preliminary management accounts, our brick & mortar sales for the two months ended February 28, 2021 amounted to approximately €167 million, which are approximately 58% lower than in the comparable period in 2020. Based on unaudited preliminary management accounts, our e-commerce sales for the two months ended February 28, 2021 amounted to approximately €185 million, which are approximately 82% higher than in the comparable period in 2020. The developments in our sales, brick & mortar sales and e-commerce sales are due to lockdowns in certain countries where we operate. Based on unaudited preliminary management accounts, our cash and cash equivalents as of February 28, 2021 was approximately €226 million (including cash borrowings under our existing revolving credit facility and ancillary facilities in an aggregate principal amount of €142.6 million).

The foregoing financial information is based on internal unaudited consolidated monthly accounts for the months of January and February 2021, which were prepared by and are the responsibility of our management. This financial information has not been audited, reviewed, compiled or the subject of any procedures by our independent auditors or any other audit firm and no opinion nor any other form of assurance is expressed with respect thereto. The foregoing financial information is inherently subject to modification and should not be regarded as an indication, forecast or representation by us or any other person regarding our future financial performance. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain factors that could affect our future performance and results of operations.

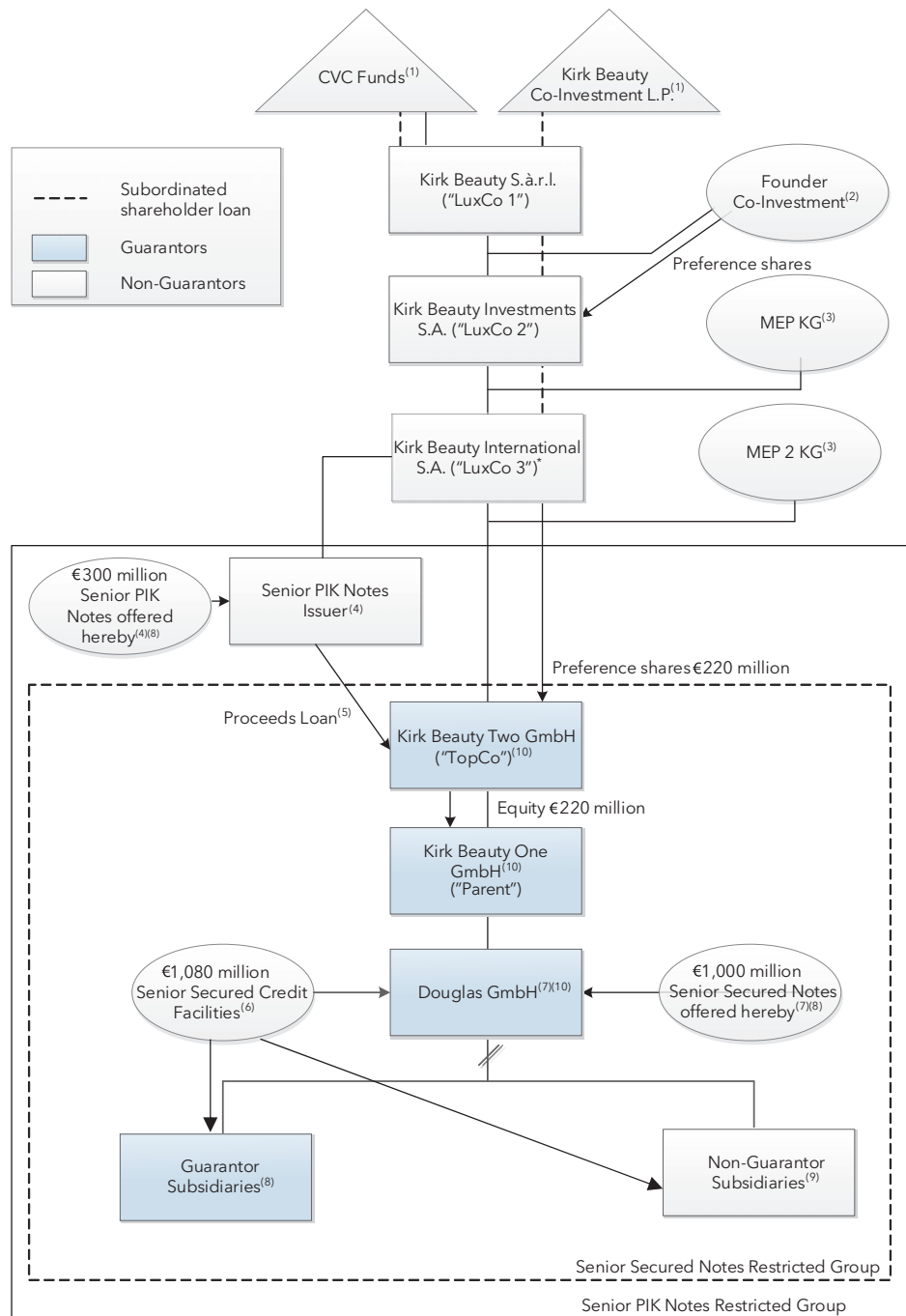
Our Principal Shareholder

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and over 550 employees throughout Europe, Asia and the US. To date, CVC has secured commitments of over U.S.\$160 billion from some of the world's leading institutional investors across its private equity and credit strategies. In total, CVC currently manages approximately U.S.\$118 billion of assets. Today, funds managed or advised by CVC are invested in over 90 companies worldwide, employing over 450,000 people in numerous countries. Together, these companies have combined annual sales of approximately U.S.\$100 billion. CVC's local knowledge, relevant sector expertise and extensive contacts underpin a 40-year proven track record of investment success. In particular, CVC possesses significant experience in the selective beauty and retail sector.

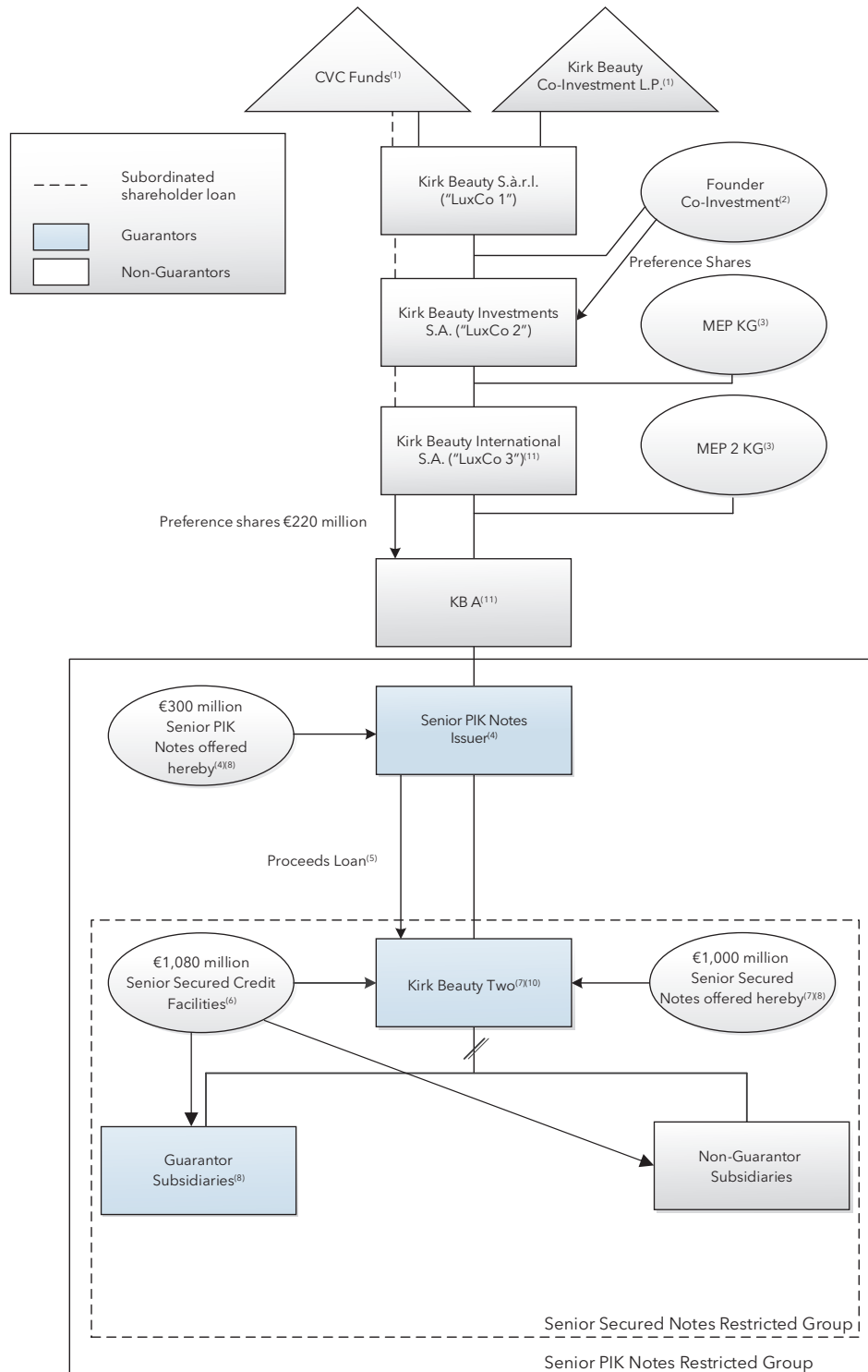
Corporate and Financing Structure

The following simplified chart sets forth certain aspects of our corporate and financing (1) after giving effect to the Transaction and (2) after giving effect to the Post-Closing Reorganization. Please refer to *"Description of Certain Financing Arrangements"*, *"Description of the Senior Secured Notes"* and *"Description of the Senior PIK Notes"* for more information. All entities shown below are 100% owned unless otherwise indicated. The amounts of all equity contributions and shareholder loans shown in the chart below are based on our current assumptions and estimates. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses.

Simplified Structure after the Transaction



Simplified Structure after the Post-Closing Reorganization



(1) The CVC Funds and certain investors or limited partners in the CVC Funds have beneficial ownership, directly or indirectly through intermediate holding companies, of approximately 84.2% of the share capital of TopCo (before management participation). See also "Principal Shareholders".

(2) The Founder Co-Investors have beneficial ownership, directly or indirectly through intermediate holding companies, of approximately 15.8% of the share capital of TopCo (before management participation).

(3) Certain employees and members of the management have invested in management participation programs established in MEP KG and MEP 2 KG and have beneficial ownership, directly or indirectly, of the share capital of TopCo. See "Certain Relationships and Related Party Transactions—Management Participation Program."

- (4) On the Issue Date, the Senior PIK Notes will be senior obligations of the Senior PIK Notes Issuer, secured by the Senior PIK Notes Collateral. The Senior PIK Notes Indenture will provide that, on or prior to November 30, 2021 and if Post-Closing Reorganization has not been completed, the Senior PIK Notes will also be secured by a first-priority security interest over the shares of the direct parent company of TopCo and receivables owed by such parent company.
- (5) On the Issue Date, the Senior PIK Notes Issuer will loan the proceeds of the Senior PIK Notes to TopCo via the Proceeds Loan, having terms described under *"Description of the Senior PIK Notes—The Proceeds Loan."* The claims under the Proceeds Loan, will be pledged, on a first-priority basis, to secure the Senior Secured Facilities and the Senior Secured Notes, and on a second-priority basis, the Senior PIK Notes.
- (6) On or prior to the Issue Date, the Senior Secured Notes Issuer will enter into the Senior Secured Facilities Agreement, which provides for committed facilities comprised of the Term Loan B Facility in an amount of €1,080.0 million and the Revolving Credit Facility in an amount of €170.0 million. The Senior Secured Notes Issuer will be one of several Original RCF Borrowers. The Original TLB Borrowers are expected to be members of the Restricted Group in Germany, France and the Netherlands, which may include Douglas GmbH, Parfümerie Douglas GmbH, Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG, Douglas Finance B.V., Kirk Beauty Netherlands B.V., Parfümerie Douglas GmbH, Groupe Nocibé S.A.S. and Nocibé France S.A.S. The Senior Secured Facilities will be senior obligations of the relevant borrowers and, on or prior to a date falling 30 days or 90 days after the Issue Date, as applicable, will be guaranteed by the Senior Secured Notes Issuer, all Guarantors that guarantee the Notes and, additionally, by certain subsidiaries of the Senior Secured Notes Issuer incorporated in France and Italy that will not guarantee the Notes. On or prior to a date falling 30 days or 90 days after the Issue Date, as applicable, the Senior Secured Facilities will be secured by the Senior Secured Notes Collateral on an equal and ratable basis with the Senior Secured Notes, and additionally, by other collateral granted by security providers incorporated in France or Italy that will not secure the obligations under the Senior Secured Notes. The validity, enforceability and, in respect of the security interests in the Senior Secured Notes Collateral, priority and ranking of the Senior Secured Note Guarantees and the liability of the Guarantors are subject to the limitations described in *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests."* In addition, certain debt incurred in connection with a government support scheme or certain other state-backed financing and following a complete refinancing of the Senior Secured Facilities, debt incurred under certain credit facilities, certain hedging obligations and certain cash management obligations may be designated as having super senior status with respect to the recovery of proceeds from the enforcement of the Senior Secured Notes Collateral. See also *"Description of Certain Financing Arrangements—Intercreditor Agreement"*. It is intended that in connection with the Transaction, the Term Loan B facility will be drawn in full. We expect the Revolving Credit Facility to be undrawn as of the Issue Date, other than the rollover of ancillary facilities and letters of credit that had been established or issued under the Existing Senior Facilities Agreement. The commitments made available under these facilities may be increased in the future.
- (7) On the Issue Date, the Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer, secured by the Senior Secured Notes Issue Date Collateral, including shares of TopCo held by LuxCo 3 and MEP 2 KG. On or prior to a date falling (a) on the later of the date on which the relevant Senior Secured Notes Post-Closing Collateral (as defined herein) secures the Senior Secured Facilities and 30 days after the Issue Date and (b) on the later of the date on which the relevant Senior Secured Notes Post-Closing Collateral secures the Senior Secured Facilities and 90 days after the Issue Date, as applicable, the Senior Secured Notes will be additionally secured by the Senior Secured Notes Post-Closing Collateral. The Senior Secured Notes will benefit from a loss sharing agreement with the lenders under the Senior Secured Facilities Agreement whereby payments may be required to be made among the holders of the Senior Secured Notes and the lenders under the Senior Secured Facilities Agreement in order to ensure that losses are borne proportionately by the holders of the Senior Secured Notes and the lender under the Senior Secured Facilities Agreement based on the exposure of all such creditors on an enforcement date. See *"Description of Certain Financing Arrangements—Intercreditor Agreement—Equalization of the Senior Secured Creditors."*
- (8) On the Issue Date, the Senior Secured Notes will be guaranteed on a senior basis by the Issue Date Guarantors and the Senior PIK Notes will be guaranteed on a senior subordinated basis by the Issue Date Guarantors. In addition on or prior to a date falling (a) on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 30 days after the Issue Date and (b) on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 90 days after the Issue Date, as applicable, the Senior Secured Notes will be guaranteed on a senior basis by the Post-Closing Guarantors and the Senior PIK Notes will be guaranteed on a senior subordinated basis by the Post-Closing Guarantors. The Note Guarantees will be subject to certain contractual limitations and limitations under applicable law, as described under *"Risk Factors—Risks Related to Our Structure—Each Note 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 Note Guarantees and Security Interests."* As of and for the twelve months ended December 31, 2020, the Senior Secured Notes Issuer (who is also a Guarantor of the Senior PIK Notes) together with the Guarantors of the Senior Secured Notes (excluding TopCo, which is a holding company with no revenue-generating activities of its own and does not have any business operations, material assets (other than the shares it owns in its subsidiaries and intragroup receivables) or liabilities (other than intragroup liabilities that will be extinguished following completion of the Post-Closing Mergers). accounted for 37.3% of the consolidated total assets of the Group, 48.5% of the consolidated sales of the Group and 50.0% of the consolidated Adjusted EBITDA (as reported) of the Group.

- (9) Certain of our subsidiaries are not wholly-owned and have minority shareholders .
- (10) Immediately after the Issue Date, it is the current intention to merge the Senior Secured Notes Issuer into the Parent and subsequently to merge the surviving entity into TopCo (the "Post-Closing Mergers"). As a result of the Post-Closing Mergers, TopCo, as the surviving entity, will become the successor Senior Secured Notes Issuer and the Senior Secured Note Guarantees of TopCo and the Parent will be extinguished. See *"Summary - Post-Closing Reorganization"* and *"Certain Relationships and Related Party Transactions—Profit and Loss Transfer Agreements"*.
- (11) Following completion of the Post-Closing Mergers, it is the current intention to implement the Senior PIK Issuer Reorganization, after which KB A, a German company to be formed following the Issue Date in connection with the Post-Closing Reorganization, will become the new direct parent of the Senior PIK Notes Issuer and the Senior PIK Notes Issuer will become the new direct parent of TopCo. See *"Summary—Post-Closing Reorganization"*.

The Senior PIK Notes Indenture will require that on or prior to November 30, 2021 and provided the Post-Closing Reorganization has not been completed, (a) KB A or LuxCo 3, whichever is the direct parent company of the TopCo at such time, will become a party to the Senior PIK Notes Indenture and guarantee the Senior PIK Notes on a senior basis as further described in *"Description of the Senior PIK Notes - The Note Guarantees"* and (b) the Senior PIK Notes will be secured by a first-priority security interest over the shares of, and receivables owed by, LuxCo 3 as further described in *"Description of the Senior PIK Notes - Security"*.

Following the Post-Closing Reorganization, further profit and loss transfer agreements may be entered into between KB A, the Senior PIK Notes Issuer and the Senior Secured Notes Issuer in order to create a consolidated tax group among such entities.

THE OFFERING

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

Issuers:

Senior Secured Notes Issuer: Douglas GmbH.

Following the Issue Date, the Senior Secured Notes Issuer intends to merge with the TopCo and the Parent, pursuant to which TopCo will be the surviving entity and will acquire all of the rights and assets, and will assume all of the obligations, of the Parent and the Senior Secured Notes Issuer. Upon the completion of these mergers, TopCo will become the successor Senior Secured Notes Issuer. See *"Summary–Post-Closing Reorganization"*.

Senior PIK Notes Issuer: Blitz D21-543 GmbH to be renamed Kirk Beauty SUN GmbH on or around the Issue Date.

Notes Offered

Senior Secured Notes: €1,000,000,000 aggregate principal amount of Senior Secured Notes due 2026.

Senior PIK Notes: €300,000,000 aggregate principal amount of Senior PIK Notes due 2026.

Issue Date On or about , 2021.

Issue Price

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

Senior PIK Notes: %, plus accrued and unpaid interest from the Issue Date.

Maturity Date

Senior Secured Notes: , 2026.

Senior PIK Notes: , 2026.

Interest Rate

Senior Secured Notes: % per annum.

Senior PIK Notes: Cash Interest (as defined below) will accrue at a rate of % per annum. PIK Interest (as defined below) will accrue at a rate of % per annum.

Interest Payment Dates Interest on the Notes is payable semi-annually in arrears on and of each year, commencing on , 2021. Interest on the Notes will accrue from the Issue Date.

The Senior PIK Notes Indenture will provide that interest is payable on the Senior PIK Notes at the election of the Senior PIK Notes Issuer, (1) entirely in cash ("Cash Interest") or (ii) by increasing the principal amount of the Senior PIK Notes or by issuing Senior PIK Notes in a principal amount equal to such interest, in each case rounded down to the nearest €1.00 (in each case "PIK Interest").

Form and Denomination The Senior Secured Notes Issuer will issue the Senior Secured 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. Senior Secured Notes in denominations of less than €100,000 will not be available.

The Senior PIK Notes Issuer will issue the Senior PIK Notes on the Issue Date in global registered form in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof. Senior PIK 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;”
- be guaranteed by the Issue Date Guarantors as of the Issue Date and by the Post-Closing Guarantors as of the relevant Post-Closing Date on a senior basis, as described under “–Note Guarantees”;
- rank senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes (including its obligations under its guarantee of the Senior PIK Notes);
- be effectively subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer, TopCo and its subsidiaries that is secured by 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;
- be structurally subordinated to any existing or future indebtedness of any of TopCo’s subsidiaries that are not Guarantors including their obligations to trade creditors and lease obligations; and
- rank effectively senior to any existing and future indebtedness of the Senior Secured Notes Issuer secured on a basis junior to the Senior Secured Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Senior Secured Notes.

Senior PIK Notes The Senior PIK Notes will:

- be general senior obligations of the Senior PIK Notes Issuer, secured as set forth under “–Security;”
- be guaranteed by the Senior Secured Notes Issuer and the Issue Date Guarantors as of the Issue Date and by the Post-Closing Guarantors as of the relevant Post-Closing Date on a senior subordinated basis, as described under “–Note Guarantees”;
- rank senior in right of payment to any existing and future indebtedness of the Senior PIK Notes Issuer that is expressly subordinated in right of payment to the Senior PIK Notes;
- be effectively subordinated to any existing or future indebtedness of the Senior PIK Notes Issuer, TopCo and its subsidiaries that is

secured by property and assets that do not secure the Senior PIK Notes or that is secured on a first-priority basis over property and assets that secure the Senior PIK Notes on a second-priority basis (including the Senior Secured Notes and Indebtedness Incurred under the Senior Secured Facilities Agreement), to the extent of the value of the property and assets securing such indebtedness; and

- be structurally subordinated to any existing or future indebtedness of TopCo and any of its subsidiaries that are not Guarantors including their obligations to trade creditors and lease obligations.

Note Guarantees

Senior Secured Notes As of the Issue Date, the Senior Secured Notes will be guaranteed on a senior basis (the "Senior Secured Notes Issue Date Guarantees") by TopCo, the Parent, Kirk Beauty Netherlands B.V., Parfümerie Douglas International GmbH, Parfümerie Douglas GmbH, Douglas Finance B.V. and Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG. (collectively, the "Issue Date Guarantors").

The Senior Secured Notes will be guaranteed on a senior basis (the "Senior Secured Notes Post-Closing Guarantees" and together with the Senior Secured Notes Issue Date Guarantees, the "Senior Secured Note Guarantees") by, on or prior to a date falling on the later of (a) the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and (b) 30 days after the Issue Date, Kirk Beauty Netherlands Holding B.V., Douglas Investment B.V., Parfümerie Douglas Nederland B.V., Parfümerie Douglas Deutschland GmbH, Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH and Douglas Marken- und Lizenzen GmbH & Co. KG, and on or prior to a date falling on the later of (a) the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and (b) 90 days after the Issue Date, "Douglas Polska" sp. z o.o. (together, the "Post-Closing Note Guarantors", and together with the Issue Date Guarantors, the "Guarantors").

Following the Issue Date, the Senior Secured Notes Issuer intends to merge with the TopCo and the Parent, pursuant to which TopCo will be the surviving entity and will acquire all of the rights and assets, and will assume all of the obligations, of the Parent and the Senior Secured Notes Issuer. Upon the completion of these mergers, the Senior Secured Note Guarantees of TopCo and the Parent will be extinguished. See "Summary-Post-Closing Reorganization" and "Description of Certain Financing Arrangements-Intercreditor Agreement-IPO Debt Pushdown".

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

The Senior PIK Notes will be guaranteed on a senior subordinated basis (the "Senior PIK Notes Post-Closing Guarantees" and together with the Senior PIK Notes Issue Date Guarantees, the "Senior PIK Note Guarantees") by, on or prior to a date falling on (a) the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and 30 days after the Issue Date and (b) the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities and

90 days after the Issue Date, as applicable, by the applicable Post-Closing Date Guarantors.

Following the Issue Date, the Senior Secured Notes Issuer intends to merge with the TopCo and the Parent, pursuant to which TopCo will be the surviving entity and will acquire all of the rights and assets, and will assume all of the obligations, of the Parent and the Senior Secured Notes Issuer. Upon the completion of these mergers, the Senior PIK Note Guarantees of TopCo and the Parent will be extinguished. See *"Summary–Post-Closing Reorganization"* and *"Description of Certain Financing Arrangements–Intercreditor Agreement–IPO Debt Pushdown"*.

The Senior PIK Notes Indenture will require that on or prior to November 30, 2021 and provided the Post-Closing Reorganization has not been completed, KB A or LuxCo 3, whichever is the direct parent company of the TopCo at such time, will become a party to the Senior PIK Notes Indenture and guarantee the Senior PIK Notes on a senior basis. See *"Description of the Senior PIK Notes - The Note Guarantees"*.

Ranking of the Note Guarantees

- Senior Secured Notes Each Senior Secured Note Guarantee will be a senior obligation of the relevant Guarantor, and
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Note Guarantors that is not subordinated to the Senior Secured Note Guarantees, including the Senior Secured Facilities;
 - rank senior in right of payment to any existing and future indebtedness of the Guarantors that is expressly subordinated to in right of payment to such Senior Secured Note Guarantees (including that Guarantor's guarantee of the Senior PIK Notes);
 - be effectively subordinated to any existing or future indebtedness of the Guarantors that is secured by property and assets that do not secure the Senior Secured Note Guarantee, to the extent of the value of the property and assets securing such indebtedness;
 - rank effectively senior to any existing and future indebtedness of the Guarantors secured on a basis junior to the Senior Secured Note Guarantee or unsecured indebtedness of the Guarantors, to the extent of the value of the Senior Secured Notes Collateral that is available to satisfy the obligations under the Senior Secured Note Guarantees] and
 - rank effectively senior to any existing and future unsecured indebtedness of the Guarantors, to the extent of the value of the collateral that is available to satisfy the obligations under the Senior Secured Note Guarantees;

The Senior Secured Note Guarantees will be subject to the terms of the Intercreditor Agreement and the agreed security principles. See *"Description of Certain Financing Arrangements–Intercreditor Agreement."*

The Senior Secured Note Guarantees will be subject to release under certain circumstances. See *"Description of the Senior Secured Notes–Note Guarantees"* and *"Description of Certain Financing Arrangements–Intercreditor Agreement–IPO Debt Pushdown"*.

The Senior Secured Note Guarantees will be subject to certain limitations under applicable law. See *"Description of the Senior Secured Notes—Note Guarantees," "Risk Factors—Risks Related to Our Structure—Each Note 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 Note Guarantees and Security Interests."*

Senior PIK Notes

Each Senior PIK Note Guarantee will be a senior subordinated obligation of the relevant Guarantor (other than a Note Guarantee granted by KB A or Luxco 3, as applicable, if any); and

- rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of the Guarantors that is not expressly subordinated to the Senior PIK Note Guarantees;
- rank senior in right of payment to any existing and future indebtedness of the Guarantors that is expressly subordinated in right of payment to such Senior PIK Note Guarantees;
- be effectively subordinated to any existing or future indebtedness of the Guarantors that is secured by property and assets that do not secure the Senior PIK Note Guarantee, or that is secured on a first-priority basis over property and assets that secure such Senior PIK Note Guarantee on a second-priority basis (including that Guarantors' guarantee of the Senior Secured Notes and the Senior Secured Facilities), to the extent of the value of the property and assets securing such indebtedness; and
- be subordinated in right of payment to any existing and future senior indebtedness of that Guarantor, including that Guarantor's guarantee of the Senior Secured Notes and indebtedness incurred under the Senior Secured Facilities Agreement.

Any future Senior PIK Note Guarantees of each of KB A and LuxCo 3 will:

- be a general, joint and several, senior obligation of KB A and Luxco 3;
- rank *pari passu* in right of payment with any future indebtedness of KB A and LuxCo 3 that is not expressly subordinated in right of payment to such Senior PIK Note Guarantee;
- rank senior in right of payment to all existing and future indebtedness of KB A and LuxCo 3 that is expressly subordinated in right of payment to such Senior PIK Note Guarantee; and
- be effectively subordinated to any existing and future indebtedness of KB A and LuxCo 3 that is secured by property and assets that do not secure its Senior PIK Note Guarantee, to the extent of the value of the property and assets securing such indebtedness.

The Senior PIK Note Guarantees will be subject to the terms of the Intercreditor Agreement and the agreed security principles. See *"Description of Certain Financing Arrangements—Intercreditor Agreement"* and *"Description of Certain Financing Arrangements - Intercreditor Agreement—IPO Debt Pushdown"*.

The Senior PIK Note Guarantees will be subject to release under certain circumstances. See *"Description of the Senior PIK Notes—Note Guarantees."*

The Senior PIK Note Guarantees will be subject to certain limitations under applicable law. See *"Description of the Senior PIK Notes—Note Guarantees," "Risk Factors—Risks Related to Our Structure—Each Note 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 Note Guarantees and Security Interests."*

General Information on Note
Guarantees

Certain subsidiaries of the Senior Secured Notes Issuer incorporated in France and Italy will only guarantee the obligations under the Senior Secured Facilities Agreement and will not guarantee the obligations under the Senior Secured Notes or the Senior PIK Notes.

As of and for the twelve months ended December 31, 2020, the Senior Secured Notes Issuer (who is also a Guarantor of the Senior PIK Notes) together with the Guarantors of the Senior Secured Notes (excluding TopCo, which is a holding company with no revenue-generating activities of its own and does not have any business operations, material assets (other than the shares it owns in its subsidiaries and intragroup receivables) or liabilities (other than intragroup liabilities that will be extinguished following completion of the Post-Closing Mergers). accounted for 22.3% of the consolidated total assets of the Group, 48.4% of the consolidated sales of the Group and 63.7% of the consolidated Adjusted EBITDA (as reported) of the Group.

Security

Senior Secured Notes

On the Issue Date, the Senior Secured Notes will be secured, subject to the Agreed Security Principles, the terms of the Intercreditor Agreement and certain perfection requirements, on a first-priority basis by:

- shares of the TopCo, the Parent and the Senior Secured Notes Issuer;
- material bank accounts of TopCo, the Parent and the Senior Secured Notes Issuer;
- material intercompany receivables owed by TopCo to LuxCo3 and MEP 2 KG, by the Parent to TopCo and by the Senior Secured Notes Issuer to the Parent; and
- the Proceeds Loan

(together, the "Senior Secured Notes Issue Date Collateral").

In addition, the Senior Secured Notes will be secured, subject to the terms of the Intercreditor Agreement and certain perfection requirements, on a first priority basis by, on or prior to a date falling on the later of (a) the date on which the relevant Senior Secured Notes Post-Closing Collateral secures the Senior Secured Facilities and (b) 30 days after the Issue Date on:

- shares of the Senior Secured Notes Issue Date Guarantors (except for TopCo and the Parent), Kirk Beauty Netherlands Holding B.V., Douglas Investment B.V., Parfumerie Douglas Nederland B.V. Parfümerie Douglas Deutschland GmbH, Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH and Douglas Marken- und Lizenzen GmbH & Co. KG;

- material bank accounts of the Senior Secured Notes Issue Date Guarantors (except for TopCo and the Parent), Kirk Beauty Netherlands Holding B.V., Douglas Investment B.V., Parfumerie Douglas Nederland B.V. Parfümerie Douglas Deutschland GmbH, Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH and Douglas Marken- und Lizenzen GmbH & Co. KG; and
- material intercompany receivables owing to the Senior Secured Notes Issue Date Guarantors (except for TopCo and the Parent), the Senior Secured Notes Issuer, Kirk Beauty Netherlands Holding B.V., Douglas Investment B.V., Parfumerie Douglas Nederland B.V. Parfümerie Douglas Deutschland GmbH, Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH and Douglas Marken- und Lizenzen GmbH & Co. KG by other Guarantors; and

on or prior to a date falling on the later of (a) the date on which the relevant Senior Secured Notes Post-Closing Collateral secures the Senior Secured Facilities and (b) 90 days after the Issue Date on:

- shares of "Douglas Polska" sp. z o.o.;
- material bank accounts of "Douglas Polska" sp. z o.o.;
- material intercompany receivables owing to "Douglas Polska" sp. z o.o.; and
- shares of Groupe Douglas France S.A.S. and Douglas Italia S.p.A.

(together, the "Senior Secured Notes Post-Closing Collateral" and together with the Senior Secured Notes Issue Date Collateral, the "Senior Secured Notes Collateral").

The Senior Secured Notes Collateral may be released under certain circumstances. See *"Risk Factors—Risks Related to the Notes—The granting of the Note Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions," "Description of the Senior Secured Notes—Security" and "Description of Certain Financing Arrangements—Intercreditor Agreement—IPO Debt Pushdown"*.

Subject to the terms of the Intercreditor Agreement, the Senior Secured Notes Collateral will also secure the obligations under the Senior Secured Facilities Agreement on an equal and ratable basis with the Senior Secured Notes. See *"Description of Certain Financing Arrangements—Senior Secured Facilities Agreement."*

The security interests in the Senior Secured Notes Collateral will be subject to certain limitations under applicable law. See *"Description of the Senior Secured Notes—Security," "Risk Factors—Risks Related to Our Structure—Each Note 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 Note Guarantees and Security Interests"*.

Senior PIK Notes	On the Issue Date, the Senior PIK Notes will be secured, subject to the terms of the Intercreditor Agreement and certain perfection requirements, by (a) first-priority security interest over the issued share capital of the Senior PIK Notes Issuer and any intercompany
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receivables owed by the Senior PIK Notes Issuer to LuxCo 3 (the "Senior PIK Notes Only Collateral"), (b) a second-priority security interest over the Proceeds Loan and (c) a second-priority security interest over the issued share capital of TopCo and any intercompany receivables owed by TopCo to LuxCo 3 and MEP 2 KG (the assets described in clauses (b) and (c) above being the "Shared Collateral" and together with the Senior PIK Notes Only Collateral, the "Senior PIK Notes Issue Date Collateral").

The Senior PIK Notes Indenture will provide that subject to the terms of the Intercreditor Agreement and certain perfection requirements, on or prior to November 30, 2021 and provided the Post-Closing Reorganization has not been completed, the Senior PIK Notes will also be secured by a first-priority security interest over the shares of, and receivables owed by, the direct parent company of TopCo, and in either case, such additional security shall constitute Senior PIK Notes Only Collateral.

The Senior PIK Notes Collateral may be released under certain circumstances. See *"Risk Factors—Risks Related to the Notes—The granting of the Note Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or avoidance periods for such security interests in accordance with the laws applicable in certain jurisdictions"* and *"Description of the Senior PIK Notes—Security"* and *"Description of Certain Financing Arrangements—Intercreditor Agreement—IPO Debt Pushdown."*

The security interests in the Senior PIK Notes Collateral will be subject to certain limitations under applicable law. See *"Description of the Senior PIK Notes—Security," "Risk Factors—Risks Related to Our Structure—Each Note 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 Note Guarantees and Security Interests"*.

Use of Proceeds The Issuers intend to use the proceeds from the Offering together with proceeds from borrowings under the Term Loan B Facility under the Senior Secured Facilities Agreement and the Equity Contribution to (1) fund the redemption of the Existing Senior Secured Notes and Existing Senior Notes; (2) repay all amounts outstanding under the Existing Senior Secured Facilities (including amounts outstanding under the existing revolving credit facility); (3) fund cash on hand and (4) pay fees and expenses incurred in connection therewith.

Optional Redemption

Senior Secured Notes The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at any time on or after , 2023 at the redemption prices described under *"Description of the Senior Secured Notes—Optional Redemption"*, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

At any time prior to , 2023, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured 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 , 2023, the Senior Secured Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 50% of the original aggregate principal amount of the Senior Secured Notes (excluding the Additional Senior Secured Notes) remains outstanding after the redemption. See *"Description of the Senior Secured Notes—Optional Redemption."*

At any time and from time to time prior to , 2023, the Senior Secured Notes Issuer may, during each calendar year, redeem up to 10% of the original principal amount of the Senior Secured Notes at a redemption price equal to 103.000% of the principal amount thereof plus the Applicable Premium (as defined in *"Description of the Senior Secured Notes"*) and accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of the Senior Secured Notes of record on the relevant record date to receive interest due on the relevant interest payment date).

Senior PIK Notes The Senior PIK Notes Issuer may redeem all or part of the Senior PIK Notes at any time on or after , 2023 at the redemption prices described under *"Description of the Senior PIK Notes—Optional Redemption"*, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

At any time prior to , 2023, the Senior PIK Notes Issuer may redeem all or part of the Senior PIK 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 PIK Notes—Optional Redemption."*

At any time prior to , 2023, the Senior PIK Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior PIK Notes, using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount of the Senior PIK Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 50% of the original aggregate principal amount of the Senior PIK Notes (excluding the Additional Senior PIK Notes) remains outstanding after the redemption. See *"Description of the Senior PIK 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 PIK Notes—Withholding Taxes"*.

Subject to and as set forth in *"Description of the Senior Secured Notes—Withholding Taxes"* and *"Description of the Senior PIK 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 Notes, and would require the relevant Issuer to pay Additional Amounts (as defined in "Description of the Senior Secured Notes—Withholding Taxes" and "Description of the Senior PIK Notes—Withholding Taxes"), the relevant Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "Description of the Senior Secured Notes—Redemption for Taxation Reasons" and "Description of the Senior PIK Notes—Redemption for Taxation Reasons".

Certain U.S. Federal Income Tax Considerations

Because no portion of the stated interest on the Senior PIK Notes is unconditionally payable in cash at least annually, no stated interest payments on the Senior PIK Notes will be treated as qualified stated interest for U.S. federal income tax purposes. As a result, the Senior PIK Notes will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes in an amount equal to the excess of the total payments of principal and stated interest on the Notes over their issue price. Holders subject to U.S. federal income taxation generally will be required to include OID in gross income (as ordinary income) for U.S. federal income tax purposes as it accrues (on a constant yield to maturity basis), in advance of the receipt of cash attributable to that income, irrespective of their regular method of tax accounting. See "Certain Tax Consequences—Certain United States Federal Income Tax Considerations—Senior PIK Notes."

Change of Control

Upon the occurrence of certain events constituting a change of control, the holders of the Notes will have the right to require the applicable 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. However, a change of control will not be deemed to have occurred if a certain consolidated net leverage ratio is not exceeded in connection with such event. See "Description of the Senior Secured Notes—Change of Control" and "Description of the Senior PIK Notes—Change of Control".

Certain Covenants

The Indentures will limit, among other things, the ability of TopCo and its restricted subsidiaries (in the case of the Senior Secured Notes) and the Senior PIK Notes Issuer, TopCo and their respective restricted subsidiaries (in the case of the Senior PIK Notes) 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;
- engage in certain activities (with respect to Topco and Parent in case of the Senior Secured Notes and with respect to Topco, the Parent and the Senior PIK Notes Issuer in case of Senior PIK Notes);
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if and for as long as we achieve investment-grade ratings. See *"Description of the Senior Secured Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status"* and *"Description of the Senior PIK Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status"*.

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 PIK Notes—Certain Covenants"*.

Tender Offers	In connection with any tender offer for the relevant series of Notes, if Holders of not less than 90% in aggregate principal amount of the relevant series of outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the applicable Issuer, or any third party making such a tender offer in lieu of such Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, the applicable Issuer or such third party will have the right to redeem all of the relevant series of Notes, in whole or in part, that remain outstanding following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, the date of such redemption.
Notice to Investors	The Notes have not been, and will not be, registered under U.S. federal or state or the securities laws of any other jurisdiction, 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 are subject to restrictions on resale. See <i>"Notice to Investors."</i> 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 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 <i>"Risk Factors"</i> section before making a decision whether to invest in the Notes.

Listing	Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "Exchange"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
Governing Law	The Notes and the Indentures will be governed by New York law. The Intercreditor Agreement and the Senior Secured Facilities Agreement will be governed by English law. The Security Documents will be governed by German, Dutch, Polish, French, Italian or Luxembourg law, as applicable.
Trustee	Deutsche Trustee Company Limited.
Security Agent	Deutsche Bank AG, London Branch.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Transfer Agent	Deutsche Bank Luxembourg S.A.
Registrar	Deutsche Bank Luxembourg S.A.
Listing Agent	Carey Olsen Corporate Finance Limited.

SUMMARY HISTORICAL FINANCIAL AND OTHER INFORMATION

The following tables set forth summary historical consolidated financial information and other business data and should be read in conjunction with "Presentation of Financial Information," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds," and "Capitalization".

The summary historical consolidated financial information as of December 31, 2020 and for the three months ended December 31, 2019 and 2020 has been derived from our Unaudited Interim Consolidated Financial Statements or is based on the Group's accounting records or management reporting. The Unaudited Interim Consolidated Financial Statements have been prepared in accordance with IAS 34. Our historical consolidated financial information included in this offering memorandum as of and for the years ended September 30, 2018, 2019 and 2020 has been derived from the Audited Consolidated Financial Statements or is based on the Group's accounting records or management reporting. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted in the EU. The Unaudited Interim Consolidated Financial Statements have been prepared using the recognition and measurement principles consistent to those applied in the Audited Consolidated Financial Statements. The results of operations for prior years are not necessarily indicative of the results to be expected for the full fiscal year or any future period. Interim financial results are not necessarily indicative of results for the full fiscal year or any future reporting period.

The financial information for the twelve months ended December 31, 2020 is unaudited and has been calculated by adding the unaudited interim condensed consolidated financial information for the three months ended December 31, 2020 (the unaudited interim condensed consolidated financial statements of the Parent as of and for the three months ended December 31, 2020 authorized for issue as of February 25, 2021 have been replaced by the unaudited interim condensed consolidated financial statements of the Parent authorized for issue as of March 12, 2021), derived from the Unaudited Interim Consolidated Financial Statements or the Group's accounting records or management reporting and the historical financial information for the financial year 2019/2020, derived from the Audited Consolidated Financial Statements or the Group's accounting records or management reporting, and subtracting the unaudited interim condensed consolidated financial information for the three months ended December 31, 2019 (as restated), also derived from the Unaudited Interim Consolidated Financial Statements or the Group's accounting records or management reporting. The financial information for the twelve months ended December 31, 2020, has not been audited or reviewed by our auditors, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This information is not necessarily representative of our results of operations for such a period or any future period or any financial position at any past or future date.

The financial information for the twelve months ended December 31, 2019 is unaudited and has been calculated by adding the unaudited interim condensed consolidated financial information for the three months ended December 31, 2019 (as restated) derived from the Unaudited Interim Consolidated Financial Statements or the Group's accounting records or management reporting and the historical financial information for the financial year 2019/2020 and subtracting the unaudited interim condensed consolidated financial information for the three months ended December 31, 2018 (as restated), derived from the Group's accounting records.

This offering memorandum includes certain unaudited as adjusted financial information as of and for the twelve months ended December 31, 2020, on an adjusted basis to give pro forma effect to the Transaction, including consolidated financial data as adjusted to reflect the effect of the Transaction on our indebtedness as if the Transaction had occurred on December 31, 2020 and on our interest expense as if the Transaction had occurred on January 1, 2020. The as adjusted financial information as of and for the twelve months ended December 31, 2020, has been prepared for illustrative purposes only and does not represent what the our indebtedness or interest expense would have been had the Transaction occurred on December 31, 2020, or January 1, 2020, respectively; nor does it purport to project our indebtedness or interest expense at any future date. The unaudited as adjusted financial information as of and for the twelve months ended December 31, 2020, has not been prepared in accordance with IFRS or with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any other generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting as adjusted financial information as of and for the twelve months ended December 31, 2020, have been audited or reviewed in accordance with any generally accepted auditing standards.

We adopted IFRS 16 on October 1, 2019, applying the modified retrospective method. As a result, the audited consolidated financial statements for the financial year 2017/2018 and the audited consolidated financial statements for the financial year 2018/2019 have not been restated for the adoption of IFRS 16 and

thus are not directly comparable with our audited consolidated financial Statements for the financial year 2019/2020.

Adjusted EBITDA as presented in this offering memorandum differs from "Adjusted EBITDA" reported in our historical consolidated financial statements.

Summary Financial Information from Our Consolidated Statements of Profit or Loss

The following table shows summary data from our consolidated statements of profit or loss for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,		Twelve months ended December 31,
	2018	2019	2020	2019*	2020	2020
	(audited)			(unaudited)		
	(€ millions)					
Sales	3,276.8	3,453.5	3,232.7	1,292.9	1,172.9	3,112.7
Cost of raw materials, consumables and supplies and merchandise	-1,838.9	-1,880.6	-1,795.3	-716.1	-659.9	-1,739.1
Gross profit	1,438.0	1,572.9	1,437.4	576.8	513.0	1,373.6
Other operating income	284.5	295.8	241.0	94.4	78.9	225.5
Personnel expenses	-617.3	-642.7	-581.0	-172.9	-149.5	-557.6
Other operating expenses	-903.5	-943.2	-641.0	-210.5	-225.5	-656.0
Result from impairments on financial assets	0.0	-0.4	0.1	-0.2	0.0	0.3
EBITDA (=reported EBITDA)⁽¹⁾	201.7	282.5	456.5	287.6	217.0	385.9
Amortization/depreciation/impairment ...	-373.3	-136.6	-724.1	-101.4	-97.6	-720.3
EBIT⁽²⁾	-171.6	145.9	-267.6	186.3	119.3	-334.6
Financial income	33.4	58.9	50.3	12.8	87.9	125.4
Financial expenses	-125.0	-124.4	-249.6	-34.4	-41.8	-257.0
Financial result	-91.6	-65.5	-199.3	-21.5	46.1	-131.7
EBT	-263.2	80.5	-466.9	164.7	165.5	-466.1
Income taxes	-27.0	-63.3	-50.2	-33.9	-25.7	-42.0
Profit or loss for the period (Net income)	-290.2	17.2	-517.0	130.8	139.7	-508.1

(1) EBITDA (= reported EBITDA) (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets) is not defined as a measure under IFRS. Therefore, EBITDA (= reported EBITDA) should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA (=reported EBITDA) as shown in this offering memorandum may not be comparable to similarly titled measures used by other companies. EBITDA (= reported EBITDA) as shown in the table above is unadjusted. See "Presentation of Financial Information".

(2) EBIT (calculated as EBITDA (= reported EBITDA) minus amortization/depreciation/impairment) is not defined as a measure under IFRS. Therefore, EBIT should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBIT in the same way, EBIT as shown in this offering memorandum may not be comparable to similarly titled measures used by other companies. EBIT as shown in the table above is unadjusted. See "Presentation of Financial Information".

(*) As restated.

Summary Financial Information from Our Consolidated Statements of Financial Position

The following table shows summary data from our consolidated statements of financial position as of the balance sheet dates indicated:

	As of September 30,			As of
	2018	2019	2020	December 31,
		(audited)		2020
				(unaudited)
Non-current assets				
Intangible assets	2,360.6	2,347.6	2,045.1	2,039.7
Property, plant and equipment	313.2	292.8	278.0	261.6
Right-of-use assets from leases	—	—	1,230.9	1,178.4
Financial assets	383.7	569.8	851.8	935.0
Deferred tax assets	63.5	85.6	60.2	57.4
Current assets				
Inventories	756.0	744.4	738.6	768.9
Trade accounts receivable	47.2	45.7	37.5	56.8
Tax receivables	26.6	30.6	23.2	19.9
Financial assets	368.5	155.4	164.8	245.8
Other assets	26.6	30.1	34.8	30.2
Cash and cash equivalents	102.9	81.0	256.3	459.1
Total assets	4,448.8	4,383.0	5,721.1	6,052.8
Equity				
Capital stock ⁽¹⁾	0.0	0.0	0.0	0.0
Additional paid-in capital	1,125.1	1,125.1	1,125.1	1,125.1
Reserves	-228.2	-266.0	-457.8	-322.0
Non-current liabilities				
Pension provisions	33.3	40.1	37.9	37.6
Other non-current provisions	41.9	53.8	58.1	57.3
Financial liabilities	2,306.1	2,313.5	3,371.5	3,331.3
Other liabilities	5.0	8.9	14.6	18.0
Deferred tax liabilities	208.8	196.9	193.7	193.5
Current liabilities				
Current provisions	102.6	114.6	123.5	112.0
Trade accounts payable	565.5	487.0	503.5	670.4
Tax liabilities	54.5	60.9	68.7	140.0
Financial liabilities	31.3	37.5	458.6	423.7
Other liabilities	202.9	210.8	223.7	265.9
Total equity and liabilities	4,448.8	4,383.0	5,721.1	6,052.8

(1) Capital stock remained unchanged at €25,000 on the respective balance sheet dates indicated, and capital was entirely paid-in.

Summary Financial Information from Our Consolidated Statements of Cash Flows

The following table shows summary data from our consolidated statements of cash flows for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,		Twelve months ended December 31,
	2018	2019	2020	2019*	2020	2020
	(audited)			(unaudited)		
	(€ millions)					
Net cash flow from operating activities	129.0	198.3	493.6	415.4	354.5	432.7
Net cash flow from investing activities	-389.5	-106.4	-105.5	-31.1	-27.3	-101.7
Net cash flow from financing activities	185.3	-113.6	-212.2	-103.3	-124.2	-233.1
Net change in cash and cash equivalents	-75.3	- 21.8	176.0	281.2	203.0	97.8
Net change in cash and cash equivalents due to currency translation	-0.2	- 0.1	-0.7	0.2	-0.2	-1.1
Cash and cash equivalents at the beginning of the reporting period	178.4	102.9	81.0	81.0	256.3	362.4
Cash and cash equivalents at the end of the reporting period	102.9	81.0	256.3	362.4	459.1	459.1

(*) As restated.

Summary Other Key and Segmental Financial Data of Our Group

The following tables show selected other key and segmental (without consolidation effects) financial data of our Group as of the balance sheet date / for the periods indicated:

	As of / for the financial year ended September 30,			As of / for the three months ended December 31,		As of / for the twelve months ended December 31,
	2018	2019	2020	2019***	2020	2020
	<i>(€ millions, unless otherwise stated)</i>					
Sales (audited)	3,276.8	3,453.5	3,232.7	1,292.9*	1,172.9*	3,112.7*
Net sales growth (in %) (unaudited) ⁽¹⁾	17.2%	5.4%	-6.4%	6.0%	-9.3%	-11.7%
E-commerce sales (unaudited) ⁽²⁾	423.3	584.1**	821.5**	248.6	433.4	1,006.3
E-commerce sales (in % of total sales) (unaudited) ⁽²⁾	12.9%	16.9%	25.4%	19.2%	37.0%	32.3%
Sales share from private label products (own brands) (in %) (unaudited)	6.9%	7.0%	6.6%	7.1%	7.3%	6.7%
Sales shares from third party brand products (in %) (unaudited)	93.1%	93.0%	93.4%	92.9%	92.7%	93.4%
Like-for-like sales growth (in %) (unaudited) ⁽³⁾	-0.8%	1.9%	-6.6%	5.5%	-7.1%	-11.0%
Like-for-like sales growth (brick & mortar) (in %) (unaudited) ⁽⁴⁾	-2.1%	0.2%	-15.6%	2.8%	-28.5%	-26.8%
Like-for-like sales growth (e-commerce) (in %) (unaudited) ⁽⁵⁾	7.4%	17.3%	38.8%	21.9%	74.3%	58.2%
Adjusted EBITDA (as reported)⁽⁶⁾⁽⁷⁾	376.4	350.9	292.3	219.4	177.3	250.2
Adjusted EBITDA^{(6)(7)*}	362.8	334.8	277.4	213.4	171.2	235.2
Adjusted EBITDA margin (in percentage of sales) ^{(6)(7)*}	11.1%	9.7%	8.6%	16.5%	14.6%	7.6%
Store Adjusted EBITDA ⁽⁶⁾⁽⁸⁾	410.1	402.7	295.3	216.8	137.0	215.4
Store Adjusted EBITDA margin (in percentage of brick & mortar sales) ^{(6)(8)*}	14.5%	14.2%	12.3%	21.0%	18.6%	10.3%
E-commerce Adjusted EBITDA ^{(6)(9)*}	82.1	86.7	129.8	35.8	68.6	162.7
E-commerce Adjusted EBITDA margin (in percentage of e-commerce sales) ^{(6)(9)*} ...	19.4%	14.8%	15.8%	14.4%	15.8%	16.2%
Inventories ⁽¹⁰⁾	756.0	744.4	738.6	802.7	768.9	768.9
Capital expenditures (unaudited) ⁽¹¹⁾	126.4**	108.6**	105.4**	18.9	15.2	101.7
Free cash flow (unaudited)⁽¹²⁾	-260.5	91.9	388.2	384.4	327.2	331.0
Adjusted EBITDA minus capital expenditures (unaudited)⁽¹³⁾	236.4	226.2	172.0	194.5	156.0	133.5
Cash conversion (in %) (unaudited)⁽¹⁴⁾	65.2%	67.6%	62.0%	91.1%	91.9%	56.8%

(*) Unaudited.

(**) Audited.

(***)As restated.

	As of / for the financial year ended September 30,			As of /for the three months ended December 31,		As of / for the twelve months ended December 31,
	audited			unaudited		
	2018	2019	2020	2019*	2020	2020
(€ millions)						
Selected financial data by segment:⁽¹⁵⁾						
Germany						
Sales (net) ⁽¹⁶⁾	1,157.2	1,289.1	1,270.4	480.9	453.0	1,242.5
Intersegment Sales	67.4	48.6	52.5	13.2	19.7	59.0
Sales	1,224.6	1,337.8	1,322.9	494.1	472.7	1,301.5
EBITDA (=reported EBITDA) ⁽⁶⁾	46.8	57.2	109.3	90.2	59.5	78.6
Adjusted EBITDA (as reported) ⁽⁶⁾⁽⁷⁾	120.7	95.8	69.2	66.1	55.0	58.1
Inventories ⁽¹⁰⁾	274.8	249.1	250.3	263.3	256.6	256.6
Capital expenditures ⁽¹¹⁾	55.9	50.8	55.3	8.5	8.6	55.4
France						
Sales (net) ⁽¹⁶⁾	758.6	767.1	688.0	309.1	287.3	666.2
Intersegment Sales	0.0	0.0	0.8	0.0	0.0	0.8
Sales	758.6	767.1	688.8	309.1	287.3	667.0
EBITDA (=reported EBITDA) ⁽⁶⁾	115.8	108.8	141.6	76.5	68.0	133.1
Adjusted EBITDA (as reported) ⁽⁶⁾⁽⁷⁾	119.4	115.3	111.5	68.1	58.9	102.3
Inventories ⁽¹⁰⁾	122.4	120.7	123.3	132.9	119.1	119.1
Capital expenditures ⁽¹¹⁾	23.1	18.5	15.8	2.2	1.6	15.2
South-western Europe						
Sales (net) ⁽¹⁶⁾	1,047.7	1,051.5	929.8	369.4	312.3	872.7
Intersegment Sales	0.0	0.0	0.0	0.0	0.0	0.0
Sales	1,047.7	1,051.5	929.8	369.4	312.3	872.7
EBITDA (=reported EBITDA) ⁽⁶⁾	-4.6	70.9	130.2	84.9	57.8	103.1
Adjusted EBITDA (as reported) ⁽⁶⁾⁽⁷⁾	90.9	92.1	63.3	57.2	37.6	43.7
Inventories ⁽¹⁰⁾	277.9	291.0	276.8	307.2	301.2	301.2
Capital expenditures ⁽¹¹⁾	31.9	23.3	20.9	3.1	2.0	19.8
Eastern Europe						
Sales (net) ⁽¹⁶⁾	313.3	345.8	344.5	133.5	120.2	331.2
Intersegment Sales	0.0	0.0	0.0	0.0	0.0	0.0
Sales	313.4	345.8	344.5	133.5	120.2	331.2
EBITDA (=reported EBITDA) ⁽⁶⁾	44.7	45.1	74.4	35.8	31.9	70.5
Adjusted EBITDA (as reported) ⁽⁶⁾⁽⁷⁾	46.4	47.1	47.3	27.9	26.2	45.6
Inventories ⁽¹⁰⁾	85.9	87.9	92.9	103.9	97.0	97.0
Capital expenditures ⁽¹¹⁾	15.6	16.1	13.4	5.1	3.0	11.3
Consolidation						
Sales (net) ⁽¹⁶⁾	0.0	0.0	0.0	0.0	0.0	0.0
Intersegment Sales	-67.4	-48.6	-53.2	-13.2	-19.7	-59.7
Sales	-67.4	-48.6	-53.2	-13.2	-19.7	-59.7
EBITDA (=reported EBITDA) ⁽⁶⁾	-0.9	0.7	1.0	0.2	-0.3	0.5
Adjusted EBITDA (as reported) ⁽⁶⁾⁽⁷⁾	-0.9	0.7	1.0	0.2	-0.3	0.5

(*) As restated.

- (1) Net sales growth (in %) is defined as the difference between the sales in the period indicated and the sales in the comparable previous period divided by the sales in said comparable previous period.
- (2) E-commerce sales are defined as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) and, for Germany, telephone orders after cancellations and backorders, as well as rebates, discounts and returns, disregarding any stock transfer from e-commerce to brick & mortar business. E-commerce sales for the financial years ended September 30, 2019 and 2020 are audited. E-commerce sales of the financial year 2017/2018 do not include sales from click & collect in France in the amount of €15.6 million that are presented as brick & mortar sales.
- (3) Like-for-like sales growth (in %) is defined as sales growth from like-for-like brick & mortar and from e-Commerce, calculated for the period indicated and shown as a percentage change from the corresponding previous period.
- (4) Like-for-like sales growth (brick & mortar) (in %) consists of sales growth from like-for-like stores. A store is defined as like-for-like per each financial year when it has been open for at least one entire financial year as of the first day of the relevant period (excluding any temporary closures for COVID-19 related reasons), and is expected to be open for the full financial year. When comparing periods other than a financial year, e.g. the first quarters of the financial years 2018/2019 and 2019/2020, a store is defined as like-for-like if the store has been open in both first quarters and for at least one

entire financial year (i.e. financial year 2018/2019, excluding any temporary closures for COVID-19 related reasons) and is expected to be open for the full financial year (i.e. financial year 2019/2020). One exception for the definition has been applied to the calculation of like-for-like sales from financial year 2017/2018 to financial year 2018/2019: In November 2017, we acquired Limoni S.p.A. ("Limoni") and La Gardenia Beauty S.p.A. ("La Gardenia"). The acquired stores would not qualify as like-for-like since they only contributed 11 months instead of a full fiscal year and were moreover affected by numerous closings in financial year 2017/2018 and financial year 2018/2019. However, due to the size of the acquisition compared to the gap between 11 months and full fiscal year, we included the Italian acquisition in the like-for-like total for the financial year 2018/2019. As a result, like-for-like growth for financial year 2018/2019 on a Group total level has been reduced from 2.6% to 1.9% (brick & mortar from 0.4% to 0.2%). In the financial year 2017/2018, our brick & mortar sales included click & collect sales in France in the amount of €15.6 million. These click & collect sales were classified as e-commerce sales in subsequent periods.

- (5) Like-for-like sales growth (e-commerce) (in %) reflects our organic e-commerce sales growth, calculated for the period indicated, shown as a percentage change from the corresponding previous period. In the financial year 2017/2018, our e-commerce sales did not include click & collect sales in France in the amount of €15.6 million, which were instead classified as brick & mortar sales. Such click & collect sales were classified as e-commerce sales in subsequent periods.
- (6) EBITDA (= reported EBITDA) (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets) is not defined as a measure under IFRS. Therefore, EBITDA (= reported EBITDA) should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA (= reported EBITDA) in the same way, EBITDA (= reported EBITDA) as shown in this offering memorandum may not be comparable to similarly titled measures used by other companies. EBITDA (= reported EBITDA) as shown in the table above is unadjusted. See *"Presentation of Financial Information"*.
- (7) Adjusted EBITDA (as reported) comprises EBITDA (= reported EBITDA) adjusted for those lease expenses and income in accordance with IAS 17 that are to be capitalized in accordance with IFRS 16, and adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control. We believe that Adjusted EBITDA (as reported) is a useful performance measure. However, Adjusted EBITDA (as reported) is not defined as a measure under IFRS. Therefore, Adjusted EBITDA (as reported) should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA (as reported) in the same way, Adjusted EBITDA (as reported) as shown in this offering memorandum may not be comparable to similarly titled measures used by other companies. See *"Presentation of Financial Information"*.

Adjusted EBITDA comprises Adjusted EBITDA (as reported) adjusted for the reversal of credit card fees and bad debt from the ordinary course of our operational business (write-downs in connection with receivables from our customers). We believe that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not defined as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly titled measures used by other companies. See *"Presentation of Financial Information"*.

Adjusted EBITDA as presented below differs from "Adjusted EBITDA" reported in our historical consolidated financial statements.

The following tables show for each period a reconciliation of our reported EBITDA to our Adjusted EBITDA (as reported) and our Adjusted EBITDA, both on a Group, segmental and channel level:

	Financial year ended September 30,			Three months ended December 31,		Twelve months ended December 31,
	2018	2019	2020	2019*	2020	2020
	(audited)			(unaudited)		
	(€ millions)					
Reconciliation of reported EBITDA to Adjusted EBITDA (as reported) and to Adjusted EBITDA						
EBITDA (=reported EBITDA)	201.7	282.5	456.5	287.6	217.0	385.9
Lease expenses and income according to IAS 17 which are to be capitalized following IFRS 16	—	—	-278.0	-72.5	-68.5	-274.0
Management adjustments	174.7	68.4	113.7	4.3	28.8	138.2
thereof: consulting fees ^(a)	22.3	12.7	19.5	3.4	5.3	21.4
thereof: restructuring costs and severance payments ^(b)	15.3	12.1	13.3	—	—	13.3
thereof: Purchase Price Allocations (PPA) ^(c)	11.7	5.3	5.9	0.9	3.3	8.3
thereof: write down of inventories ^(d)	87.0	21.8	-2.5	—	—	-2.5
thereof: COVID-19 effects ^(e)	—	—	61.6	—	13.3	74.9
thereof: credit card fees ^(f)	11.3	14.8	14.9	6.0	6.1	15.0
thereof: other adjustments ^(g)	27.1	1.7	1.0	-6.0	0.8	7.8
Adjusted EBITDA (as reported)	376.4	350.9	292.3	219.4	177.3	250.2
Additional management adjustments	—	—	—	—	—	—
thereof: bad debt reversal ^(h)	-2.3	-1.3	—	—	—	—
thereof: credit card fees reversal ^(f)	-11.3	-14.8	-14.9	-6.0	-6.1	-15.0
Adjusted EBITDA	362.8	334.8	277.4	213.4	171.2	235.2
Reconciliation by segment:						
Germany						
EBITDA (=reported EBITDA)	46.8	57.2	109.3	90.2	59.5	78.6
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	—	—	-88.9	-24.2	-21.7	-86.4
Management adjustments	73.9	38.6	48.8	0.0	17.2	66.0
Adjusted EBITDA (as reported)	120.7	95.8	69.2	66.1	55.0	58.1
France						
EBITDA (=reported EBITDA)	115.8	108.8	141.6	76.5	68.0	133.1
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	—	—	-45.2	-10.9	-11.8	-46.1
Management adjustments	3.6	6.6	15.1	2.4	2.7	15.4
Adjusted EBITDA (as reported)	119.4	115.3	111.5	68.1	58.9	102.3
South-western Europe						
EBITDA (=reported EBITDA)	-4.6	70.9	130.2	84.9	57.8	103.1
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	—	—	-112.3	-28.9	-26.0	-109.4
Management adjustments	95.5	21.2	45.3	1.2	5.8	49.9
Adjusted EBITDA (as reported)	90.9	92.1	63.3	57.2	37.6	43.7
Eastern Europe						
EBITDA (=reported EBITDA)	44.7	45.1	74.4	35.8	31.9	70.5
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	—	—	-31.6	-8.5	-8.9	-32.0
Management adjustments	1.7	2.1	4.4	0.6	3.2	7.0
Adjusted EBITDA (as reported)	46.4	47.1	47.3	27.9	26.2	45.6
Consolidation						
EBITDA (=reported EBITDA)	-0.9	0.7	1.0	0.2	-0.3	0.5
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	—	—	0.0	0.0	0.0	0.0
Management adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA (as reported)	-0.9	0.7	1.0	0.2	-0.3	0.5
Reconciliation by channel:						
Brick & Mortar						
Adjusted EBITDA (as reported)	418.6	412.0	303.0	220.7	139.8	222.1
Further management adjustments ^(h)	8.5	9.3	7.7	3.9	2.8	6.7
Adjusted EBITDA	410.1	402.7	295.3	216.8	137.0	215.4
E-commerce						
Adjusted EBITDA (as reported)	87.3	93.5	137.0	37.8	71.9	171.1
Further management adjustments ^(h)	5.2	6.8	7.2	2.0	3.3	8.4
Adjusted EBITDA	82.1	86.7	129.8	35.8	68.6	162.7

(*) As restated.

- (a) Represents consulting fees in relation to strategic projects, acquisitions and financing.
 - (b) Represents expenses in connection with the sale or termination of a business unit or stores, significant changes in management structure and fundamental reorganizations. Includes severance payments and salary continuation payments and for certain management positions, is irrespective of whether a position has been reappointed.
 - (c) Represents purchase price allocations that relate to the amortization of hidden reserves disclosed in connection with business combinations.
 - (d) In the financial year 2017/2018, adjustments included write-downs in connection with the integration and restructuring of our acquisitions of Bodybell in Spain and Limoni and La Gardenia in Italy. In the financial years 2017/2018 and 2018/2019, adjustments included write-downs of inventory in connection with the rejuvenation of our brand appearance as part of our #FORWARDBEAUTY strategy as well as the renewal of product ranges in our own brand products. In the financial year 2019/2020 and the twelve months ended December 31, 2020, adjustments included income from the reversal of an impairment loss recognized in the prior year.
 - (e) Represents certain effects related to the COVID-19 pandemic. As a result of government measures such as the imposition of quarantines, stay-at-home orders, curfews and the closure of non-essential shops, the majority of our stores were temporarily closed for periods throughout 2020. As a result, our closed stores recorded no revenue during this period while still incurring direct costs. In the financial year 2019/2020 and the first quarter 2020/2021, COVID-19 effects primarily related to the direct costs of the closure of our stores to the extent not borne by governmental authorities or our landlords, including rental-related vacancy costs (financial year 2019/2020: €32.5 million and first quarter 2020/2021: rental related idle costs of €7.7 million), personnel-related vacancy costs (financial year 2019/2020: €15.5 million and first quarter 2020/2021: staff-related idle costs of €3.9 million) and external staffing costs (financial year 2019/2020: €2.8 million and first quarter 2020/2021: €0.5 million). In the financial year 2019/2020 and the first quarter 2020/2021, additional direct costs also included expenses related to the purchase of hygiene products, cleaning costs and IT to accommodate remote working (financial year 2019/2020: €9.7 million and first quarter 2020/2021: €1.3 million) and inventory valuation effects of €3.7 million in the financial year 2019/2020, which were offset by adjustments for government grants received (financial year 2019/2020: €2.8 million and first quarter 2020/2021: €1.2 million). Further government grants were directly netted with personnel costs; in case of grants that could not be directly netted, these grants were adjusted, and thus netting or partially compensating the adjusted vacancy costs. The COVID-19 cost adjustment (i) does not add back sales for the periods of store closures, (ii) does not reflect the impact of any increased demand for our products during periods following the reopening of our stores following lockdowns and (iii) does not give effect to the impact of increased e-commerce sales as a result of the lockdowns during the calendar year 2020.
 - (f) Represents fees charged for the use of credit cards that are classified as financial expenses in Adjusted EBITDA (as reported). These fees are reversed in respect of Adjusted EBITDA.
 - (g) Represents other items that do not occur on a regular basis. In the financial year 2017/2018, other adjustments included marketing costs of €12.4 million in connection with the rejuvenation of our brand appearance as part of our #FORWARDBEAUTY strategy, valuation effects from the write-down of receivables amounting to €4.6 million and integration costs of €7.4 million. In the financial year 2018/2019, other adjustments included integration and reorganization costs of €5.6 million as well as a provision of €4.8 million for a tax claim with a former shareholder and a potential logo claim, which were offset by income from the sale of our former headquarters in Hagen amounting to €10.3 million. In the financial year 2019/2020, other adjustments included expenses from the optimization of our store network amounting to €9.2 million and write-downs in connection with receivables at risk of default amounting to €2.6 million, which were offset by compensation from our former shareholder (€5.5 million), income from the reversal of a previously adjusted provision for legal disputes (€1.5 million), other income from legal disputes (€3.5 million) and the reversal of various provisions (€2.3 million). In the first quarter 2020/2021, other adjustments included restructuring expenses that were not personnel-related, write-downs of receivables, impairment losses on inventories not otherwise reported and income from the reversal of previously adjusted provisions.
 - (h) Represents the reversal of bad debt expenses from the ordinary course of our operational business (write-downs in connection with receivables from our customers).
- (8) Store Adjusted EBITDA comprises reported EBITDA attributable to our brick & mortar stores adjusted for those lease expenses and income in accordance with IAS 17 that are to be capitalized in accordance with IFRS 16, and adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control. Adjusted EBITDA by channel as presented in this offering memorandum has been derived from our unaudited management accounts and does not include group overhead costs.
- (9) E-commerce Adjusted EBITDA comprises reported EBITDA attributable to our e-commerce platform adjusted for those lease expenses and income in accordance with IAS 17 that are to be capitalized in accordance with IFRS 16, and adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control. Adjusted EBITDA by channel as presented in this offering memorandum has been derived from our unaudited management accounts and does not include group overhead costs.
- (10) Inventories comprise finished goods and merchandise, raw materials, consumables and supplies, as well as advances to suppliers for merchandise. Inventories are audited for the financial years ended September 30, 2018, 2019 and 2020.

- (11) Capital expenditures relate to additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the design and re-design of existing stores). Capital expenditures are audited for the financial years ended September 30, 2018, 2019 and 2020.
- (12) Free cash flow is defined as sum of net cash flow from operating activities and net cash flow from investing activities.
- (13) Adjusted EBITDA minus capital expenditures correspond to the difference of Adjusted EBITDA and capital expenditures, in each case for the period indicated.
- (14) Cash conversion is defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA, in each case in the period indicated.
- (15) The segment reporting of the Group prepared in conformity with the provisions of IFRS 8 reflects the internal management and reporting structure, which is based on geographical regions. For the purposes of segment reporting, the individual countries in which we operate are allocated to the regions Germany (including Norway, Parfumdreams and Niche Beauty), France, South-western Europe (including Austria, Italy, the Netherlands, Portugal, Spain, Switzerland, Monaco and Andorra) and Eastern Europe (including Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Estonia). Service and regional holding entities are allocated to the respective segments based on their place of business.
- (16) Segment sales (net) represent, for each segment, sales generated from transactions with third parties outside the Group, while intersegment sales represent sales generated from transactions with other segments of our Group.

Summary Operating Data of Our Group

The following table shows selected unaudited operating data of our Group as of the balance sheet date / for the periods indicated:

	As of / for the financial year ended September 30,			As of /for the three months ended December 31,	
	2018	2019	2020	2019	2020
			(unaudited) (€ millions)		
E-commerce development:					
Number of orders (in thousands) ⁽¹⁾	9,442.3	11,867.4	16,044.6	4,755.9	8,004.1
Active customers (in million) ⁽²⁾	5.4	7.7	10.4	3.8	6.3
Site visits (in million) ⁽³⁾	278.4	346.9	495.1	143.6	224.7
Average basket size per order (in €) ⁽⁴⁾	58.3	59.5	65.3	69.4	65.1
Return rate (in %) ⁽⁵⁾	4.9%	5.0%	4.3%	3.6%	2.9%
Conversion rate (in %) ⁽⁶⁾	3.4%	3.4%	3.2%	3.3%	3.6%
Fulfillment costs (in € million) ⁽⁷⁾	43.1	56.9	83.7	25.4	43.2
Fulfillment costs (in % of e-commerce sales) ⁽⁷⁾	10.2%	9.7%	10.2%	10.2%	10.0%
Retail store development:					
Total floor space (in thousand m ² , as of balance sheet date)	507	510	507	511	503
Average sales per m ² (in € thousands) ⁽⁸⁾	5,515	5,565	4,714	5,618	4,163
Number of stores (owned) as of the balance sheet date ⁽⁹⁾	2,308	2,292	2,232	2,289	2,230
Store openings ⁽¹⁰⁾	41	33	24	10	12
Store acquisitions ⁽¹¹⁾	629	0	0	0	0
Store closings ⁽¹²⁾	139	50	82	13	14
Net change in stores (owned)	531	-17	-58	-3	-2

- (1) We define the number of orders as the number of customer orders placed in the financial year after cancelations and backorders; an order is counted on the day we fulfill the order. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.
- (2) We define the number of active customers as the sum of all customers placing at least one order per financial year for which an invoice has been issued, whereby a customer ordering multiple times under a guest account will be counted as multiple customers. Due to a system change, active customer data for Spain is not included in financial year 2017/2018. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.
- (3) We calculate site visits as the number of series of page requests from the same device and source (either via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone)) in the respective period as recorded via the analytics tool Webtrekk. Due to technical reasons, tracking data for Switzerland is not included for financial year 2018/2019. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.

- (4) We define the average basket size per order as the total amount spent by our customers (including VAT) after cancellations and returns divided by the number of delivered orders after cancellations in the financial year in Germany, excluding Swiss e-commerce, Parfumdreams and Niche Beauty.
- (5) We define the return rate as the ratio of the number of returned products and the number of products ordered, after cancellations and backorders and disregarding any stock transfer from e-commerce to brick & mortar business in Germany, excluding Swiss e-commerce, Parfumdreams and Niche Beauty.
- (6) We define the conversion rate as the amount of all past customer orders before returns and cancellations without relocations in a selected period divided by the number of visits in that period. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.
- (7) We define fulfillment costs as the sum of cost of freight, packaging material cost, as well as storage and handling cost. Costs for our own employees in warehouses are not included. Fulfillment costs have been derived from our unaudited management accounts. Group values are shown.
- (8) Average sales per m² (in € thousands) is calculated as our gross sales from our brick & mortar stores (including sales from the sale of products, from services and tax-exempt sales) for the indicated period divided by the weighted average square meters (weighted by reference to the number of months during the referenced period such retail store was held by Douglas) of our brick & mortar stores.
- (9) Number of stores (owned) represents directly operated stores only, but not franchised stores.
- (10) Store openings comprise those directly operated brick & mortar stores which generated sales for the first time in the period indicated.
- (11) Store acquisitions comprise those directly operated brick & mortar stores which were acquired from a third party in the period indicated.
- (12) Store closures comprise those directly operated brick & mortar stores which were closed and no longer generated sales in the period indicated.

Other Unaudited As Adjusted Financial Information

	As of /for the twelve months ended December 31,
	2020
	(unaudited)
	(€ millions, unless otherwise stated)
As adjusted net senior secured indebtedness ⁽¹⁾	1,888.2
As adjusted net indebtedness ⁽²⁾	2,190.3
As adjusted interest expense ⁽³⁾	
Management Adjusted EBITDA ⁽⁴⁾	394.5
Ratio of as adjusted net senior secured indebtedness to Management Adjusted EBITDA ⁽¹⁾⁽⁴⁾	4.79x
Ratio of as adjusted net indebtedness to Management Adjusted EBITDA ⁽²⁾⁽⁴⁾	5.55x
Ratio of Management Adjusted EBITDA to as adjusted interest expense ⁽³⁾⁽⁴⁾	x

- (1) We define as adjusted net senior secured indebtedness as total senior secured indebtedness after giving pro forma effect to the Transaction as if the Transaction had occurred on December 31, 2020 and includes €1,080 million under the Term Loan B Facility and €1,000 million represented by the Senior Secured Notes less as adjusted cash and cash equivalents as set out in "Capitalization".
- (2) We define as adjusted net indebtedness as total indebtedness after giving pro forma effect to the Transaction as if the Transaction had occurred on December 31, 2020 and includes €1,080 million under the Term Loan B Facility, €1,000 million represented by the Senior Secured Notes, €300 million represented by the Senior PIK Notes and €2.1 million national aid loans incurred in connection with the COVID-19 pandemic less as adjusted cash and cash equivalents as set out in "Capitalization".
- (3) We define as adjusted interest expense as total interest expense after giving pro forma effect to the Transaction as if the Transaction had occurred on January 1, 2020. Pro forma interest expense includes interest on the total pro forma total indebtedness as if such debt had been outstanding for the entire twelve months ended December 31, 2020 as well as the commitment fees on our undrawn Revolving Credit Facility. Pro forma 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 Transaction 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.
- (4) This presentation of Management Adjusted EBITDA is for informational purposes only. Management Adjusted EBITDA does not represent the results we would have achieved in the absence of the COVID-19 pandemic. Our presentation of Management Adjusted EBITDA is subject to significant uncertainties, simplifications and assumptions, and some historical data used to develop Management Adjusted EBITDA has been derived from our unaudited management

accounts. These assumptions and management accounts data have not been, and cannot be, audited, reviewed or verified by any independent accounting firm, and do not constitute a measure of financial performance under IFRS. You should not consider Management Adjusted EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity, or as a historical performance measure at all. As such, you should not place undue reliance on the information and adjustments set forth below. Other companies, including those in our industry, may calculate a similarly titled financial measure differently from us, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. See "Presentation of Financial Information" and "Risk Factors—Risks Relating to Our Market Environment and Business—We present information relating to Management Adjusted EBITDA in this offering memorandum; certain of the data used in calculating this information was unaudited or involved certain estimates and judgments, and accordingly you should not unduly rely on them."

The following table shows a reconciliation of our Further Adjusted EBITDA for LTM December 2019 for the twelve months ended December 31, 2019 to our Management Adjusted EBITDA:

<u>(€ millions, unless otherwise stated)</u>	Twelve months ended December 31, 2020 (unaudited)
Further Adjusted EBITDA for the twelve months ended December 31, 2019 ^(a)	347.3
Net sales recovery rate (%) ^(b)	100.2%
Subtotal	347.9
Align subtotal to financial year 2020/2021 cost structure	
Store rent inflation ^(c)	-3.5
Personnel cost inflation ^(d)	-12.6
Channel shift adjustment—delivery cost ^(e)	-23.4
Channel shift adjustment—gross margin ^(f)	-15.0
Channel shift adjustment—performance marketing ^(g)	-21.8
Net Store Closures ^(h)	3.3
Subtotal	275.1
Store Optimization Program ⁽ⁱ⁾	
Store portfolio optimization ^(j)	42.9
Store personnel ^(k)	34.9
Store rent reduction ^(l)	21.8
Store Optimization Program Total	99.6
#ForwardOrganization ^(m)	18.9
Restructuring sales organization ⁽ⁿ⁾	0.9
Management Adjusted EBITDA	<u>394.5</u>

- (a) We have selected the twelve months ended December 31, 2019 as the starting point for our presentation because this represents the most recent twelve months period of trading that was not affected by the COVID-19 pandemic. The following table shows a reconciliation for the periods presented of our EBITDA (=reported EBITDA) to our Further Adjusted EBITDA for LTM December 2019 that is the basis for our Management Adjusted EBITDA. Further Adjusted EBITDA for LTM December 2019 as presented below differs from "Adjusted EBITDA" reported in our historical consolidated financial statements and Adjusted EBITDA presented elsewhere in this offering memorandum due to further management adjustments made in the development of Management Adjusted EBITDA and identified together with the consultancy function of a leading international accounting firm. The unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2018 has been retrospectively corrected in the unaudited IFRS interim consolidated financial information as of and for the three months period ended as of December 31, 2020 due to overstated accrued expenses amounting to €23.4 million.

	Financial year ended September 30, 2019 (audited)	Three months ended December 31, 2018* 2019* (unaudited) (€ millions)		Twelve months ended December 31, 2019
EBITDA (=reported EBITDA)	282.5	198.7	287.6	371.4
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	—	—	-72.5	-72.5
Management adjustments	68.4	11.0	4.3	61.7
<i>thereof: consulting fees^(A)</i>	12.7	0.8	3.4	15.3
<i>thereof: restructuring costs and severance payments^(B)</i>	12.1	1.6	0.0	10.5
<i>thereof: Purchase Price Allocations (PPA)^(C)</i>	5.3	2.8	0.9	3.4
<i>thereof: write down of inventories^(D)</i>	21.8	0.0	0.0	21.8
<i>thereof: credit card fees^(E)</i>	14.8	5.0	6.0	15.8
<i>thereof: other adjustments^(F)</i>	1.7	0.8	-6.0	-5.1
Adjusted EBITDA (as reported)	350.9	209.7	219.4	360.6
Additional management adjustments				
<i>thereof: bad debt reversal^(G)</i>	-1.3	-0.5	—	-0.8
<i>thereof: credit card fees reversal</i>	-14.8	-5.0	-6.0	-15.8
Adjusted EBITDA	334.8	204.2	213.4	344.0
Further additional management adjustments				
<i>thereof: supplier bonuses^(H)</i>				0.3
<i>thereof: customer loyalty cards^(I)</i>				-2.2
<i>thereof: marketing income^(J)</i>				1.2
<i>thereof: personnel bonus^(K)</i>				2.1
<i>thereof: double running cost^(L)</i>				1.8
Further Adjusted EBITDA for LTM December 2019				347.3

(*) As restated.

(A) Represents consulting fees in relation to strategic projects, acquisitions and financing.

(B) Represents expenses in connection with the sale or termination of a business unit or stores, significant changes in management structure and fundamental reorganizations. Includes severance payments and salary continuation payments and for certain management positions, is irrespective of whether a position has been reappointed.

(C) Represents purchase price allocations that relate to the amortization of hidden reserves disclosed in connection with business combinations.

(D) In the financial year 2018/2019, adjustments included write-downs of inventory in connection with the rejuvenation of our brand appearance as part of our #FORWARDBEAUTY strategy as well as the renewal of product ranges in our own brand products. In the first quarter 2019/2020, adjustments included income from the reversal of an impairment loss of inventory recognized in the financial year 2018/2019.

(E) Represents fees charged for the use of credit cards that are classified as financial expenses in Adjusted EBITDA (as reported). These fees are reversed in respect of Adjusted EBITDA.

(F) Represents other items that do not occur on a regular basis. In the financial year 2018/2019, other adjustments included integration and reorganization costs of €5.6 million as well as a provision of €4.8 million for a tax claim with a former shareholder and for a potential logo claim, which were offset by income from the sale of our former headquarters in Hagen amounting to €10.3 million. In the first quarter 2019/2020, other adjustments included reimbursements for tax claims and reversal of provisions.

(G) Represents the reversal of bad debt expenses from the ordinary course of our operational business (write-downs in connection with receivables from our customers).

(H) Represents the reallocation of supplier bonuses to correspond to net sales due to (i) supplier bonuses typically arising at the end of the calendar year rather than the end of our financial year, which requires us to estimate accrued bonuses at the end of our financial year and (ii) significant monthly fluctuations in supplier bonuses in France and Austria.

(I) Represents the release of provisions related to loyalty points in Italy following the change of our customer loyalty scheme in Italy at the end of the financial year 2018/2019 when all loyalty points older than 12 months old.

(J) Represents the reallocation of marketing income to correspond to marketing expenses due to the significantly monthly fluctuations in marketing income.

- (K) Represents the difference between provisions made for estimated personnel bonuses and personnel bonuses paid.
- (L) Represents expenses related to limited inhouse supply chain services, which started to be fully outsourced in August 2018 but were maintained for a certain period after August 2018 for risk management.
- (b) To analyze our net sales recovery, we compared net sales for the period from June to October 2020 with adjusted net sales for the corresponding period in the 2019, based on unaudited monthly management accounts, resulting in a recovery rate of 100.2%. While the period from June to October does not include our peak Christmas trading period, the period from June to October 2020 was not affected by lockdowns in the countries where we operate except in France, where a second lockdown started on October 30, 2020. To compensate for the two lost trading days in the period, we made a €2 million adjustment to net sales for the period from June to October 2020 in order to present our recovery rate without the effect of lockdowns. We believe that the net sales recovery rate of 100.2% reflects our omnichannel capabilities and the measures we implemented in response to the COVID-19 pandemic as well as catch-up effects after the first lockdown, acceleration of spending ahead of expected further lockdowns, increased disposable incomes due to canceled summer vacations, and temporary VAT reductions in Germany.
- (c) Represents a management estimate of store rent inflation, applying an assumed average rent inflation of 1.0% based on historical store rent inflation rates to the amount of store rent for the twelve months ended December 31, 2019 (such amount based on unaudited management accounts). This adjustment does not purport to represent actual store rent in the twelve months ended December 31, 2020, or what store rent would have been in the absence of the COVID-19 pandemic. Actual store rent may have been higher or lower.
- (d) Represents a management estimate of personnel cost inflation, applying an assumed average personnel cost inflation of 2.0% to the amount of personnel cost for the twelve months ended December 31, 2019 (such amount based on unaudited management accounts). This adjustment does not purport to represent actual personnel costs in the twelve months ended December 31, 2020, or what personnel costs would have been in the absence of the COVID-19 pandemic. Actual personnel costs may have been higher or lower.
- (e) During the period from June to October 2020, the share of our net sales attributable to e-commerce sales was higher than during the twelve months ended December 31, 2019. While costs related to selling our products in our brick & mortar sales are largely fixed, each e-commerce sale triggers additional packaging, delivery and fulfillment costs. We therefore applied an adjustment representing (i) the ratio of our e-commerce delivery and distribution costs to e-commerce net sales for the period from June to October 2020 to (ii)(x) the product of (A) our net sales for the twelve months ended December 31, 2019 as adjusted for the 100.2% recovery rate and (B) the ratio of our e-commerce sales to overall net sales for the period from June to October 2020 minus (y) actual e-commerce sales for the twelve months ended December 31, 2019. All amounts referenced in this footnote are based on unaudited management accounts.
- (f) During the period from June to October 2020, the share of our net sales attributable to e-commerce sales was higher than during the twelve months ended December 31, 2019. Gross margins generated from our e-commerce business are typically lower than those of our store business, primarily due to product mix and higher promotional activities online. We therefore applied an adjustment representing the product of (i) (x) the product of (A) our net sales for the twelve months ended December 31, 2019 as adjusted for the 100.2% recovery rate and (B) the ratio of e-commerce sales to overall net sales for the period from June to October 2020, less (y) actual e-commerce sales for the twelve months ended December 31, 2019 and (ii) the difference in percentage points of our e-commerce gross margin for the twelve months ended December 31, 2019 as compared to our store gross margin for the same period. All amounts referenced in this footnote are based on unaudited management accounts.
- (g) During the period from June to October 2020, the share of our net sales attributable to e-commerce sales was higher than during the twelve months ended December 31, 2019. Increased e-commerce sales typically require additional performance marketing, mainly attributable to search engine advertising. We therefore applied an adjustment representing additional marketing costs calculated by multiplying an estimated 7.8% cost of sales ratio, which is based on our historic performance marketing cost ratio in the twelve months ended December 31, 2019, to the product of (i) our net sales for the twelve months ended December 31, 2019 as adjusted for the 100.2% recovery rate and (ii) the ratio of e-commerce sales to overall net sales for the period from June to October 2020. This adjustment does not purport to represent what such additional search engine advertising and other costs were in the twelve months ended December 31, 2020, or what such costs would have been in the absence of the COVID-19 pandemic. Actual additional search engine advertising and other costs may have been higher or lower.
- (h) During the twelve months ended December 31, 2019 and 2020, we closed 103 stores (excluding stores closed in connection with our Store Optimization Program ("SOP") as described below) and opened 56 new stores, resulting in a net reduction of 47 stores. We prorated the sales attributable to the 103 closed stores in their last full year of operation to reflect sales attributable to the 47 net closed stores and applied a transfer rate of 39% based on the average sales transfer assumption used in our SOP across store clusters as a proxy for the amount of sales that would be transferred to other stores or our e-commerce channel. We then applied an average gross margin representing the gross margin for the twelve months ended December 31, 2019 of stores in Southern Europe where most store closings took place. This gross margin for brick & mortar stores is higher than our e-commerce gross margin. The adjustment reflects the resulting gross profit reduced by the Adjusted EBITDA attributable to the 103 closed stores prorated to reflect 47 net closed stores. As a result, the adjustment does not take into account (i) additional staff and other incremental costs in the remaining store network resulting from the transfer of sales from closed stores, (ii) the total effect of closing 103 stores and associated sales transfers and (iii) the actual contribution to Adjusted EBITDA of the 56 new stores. This adjustment does not purport to represent any actual transfer of sales from our closed stores to other stores or our e-commerce channel.

- (i) In the summer of 2020, we began to reevaluate our store network in order to identify where we have a high number of stores within the same catchment area. We have created our SOP to actively manage and rebalance the density of our store network taking into account changing customer behavior towards online retailing that was further accelerated by the COVID-19 pandemic. In connection with our SOP, we intend to close approximately 500 stores, optimize our staffing levels and re-negotiate leases with landlords in respect of stores that will remain open. See "*Business–Strategy–Complement accelerating e-commerce channel with Store Optimization Program*". Run rate adjustments for our SOP represent management's estimates of run rate effects that were developed with a leading global consulting firm, are based on Further Adjusted EBITDA for LTM December 2019, involve significant assumptions and cannot be audited, reviewed or verified by any independent accounting firm. These run rate adjustments do not include implementation costs of the measures described. This information is inherently subject to significant business, economic and competitive risks and uncertainties that could cause our actual results to differ materially from those assumed in the adjustments. As a result, while we believe that these run rate adjustments and potential cost savings are reasonable estimates, the actual results of our SOP in any given period may differ from those estimated herein or may not materialize at all.
- (j) Represents management's estimate of the potential improvement in Adjusted EBITDA from our SOP based on the EBITDA effect of estimated sales transfers from closing stores to nearby stores that remain open and our e-commerce platform. We have applied the gross margin of the closed stores to the sales estimated to transfer to other, nearby stores (net of estimated additional costs in the remaining network resulting from such sales transfer) and the country-specific EBITDA margin of e-commerce sales to the sales estimated to transfer to our e-commerce platform. The estimated sales transfer rates are based on a detailed, bottom-up, store-by-store level analysis developed by us together with a leading global consulting firm, involve significant assumptions and estimates and are subject to inherent uncertainties. Actual sale transfers from our closed stores, if any, could be lower, incremental costs could be higher and cost savings smaller or delayed compared to management's estimates. As a consequence, actual Adjusted EBITDA benefits could be smaller, develop later or not materialize at all. The run rate effect does not account for costs associated with our targeted store closures. In connection with our targeted store closures, we have identified estimated one-off cash requirements of approximately €39 million comprised of costs of €116 million related to severance costs, break costs for leases and store deconstruction costs and inventory write-offs amounting to €47 million (estimated using country-specific inventory recovery rates of 50-90% of the applicable purchase price excluding any supplier bonuses), partially offset by effects of €124 million related to inventory reduction.
- (k) Represents management's estimate of potential Adjusted EBITDA improvements based on optimizing staffing levels in stores that remain open, based on an internal benchmarking exercise developed by us together with a leading global consulting firm. This run rate effect is based on various significant assumptions and estimates developed by management and is subject to inherent uncertainties. Such efficiency improvements could be lower or not materialize at all. The run rate effect does not account for costs associated with the staff level optimization. In connection with the optimization of staff levels in stores that remain open, we have identified estimated one-off cash requirements of approximately €14 million related to severance costs.
- (l) Represents management's estimate of potential Adjusted EBITDA improvements from rent reductions through renegotiating leases with landlords of stores that will not be closed. This run rate effect is based on various significant assumptions and estimates developed by us together with a leading global consulting firm and is subject to inherent uncertainties. Such rent reductions could be lower or not materialize at all.
- (m) Represents management's estimate of potential Adjusted EBITDA improvements from cost savings related to #ForwardOrganization, a program aimed at standardizing, harmonizing and centralizing aspects of our internal functions. See "*Business–Strategy–Launch #ForwardOrganization in line with digital first strategy*". The estimated cost savings involve significant assumptions and estimates and are subject to inherent uncertainties. Such efficiency improvements could be lower or not materialize at all. This run rate effect does not account for costs associated with #ForwardOrganization. In connection with #ForwardOrganization, we have identified estimated one-off cash requirements of approximately €25 million related to severance costs.
- (n) Represents the run rate effect of a sales force efficiency program in Germany that was implemented in spring 2020. This run rate effect does not account for associated costs such as severance costs.

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 Our Market Environment and Business

The outbreak of the coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations and cash flows.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus and the respiratory disease that it causes ("COVID-19") a global pandemic (the "COVID-19 pandemic") and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. Key aspects of these measures included restrictions on travel and the closure of national borders, as well as the imposition of quarantines, stay-at-home orders, workplace closures, curfews, limitations on building occupancies and other social distancing measures. A significant feature of these measures was the order for non-essential shops to temporarily close. For example, the German government announced strict social distancing measures in March 2020, banning public gatherings of more than two people and ordering non-essential shops to shut. The lockdown was lifted in April 2020, though a second lockdown was imposed from December 16, 2020 and was recently extended generally to March 28, 2021, subject to developments by region which may lead to the lockdown being lifted in certain regions completely or partially on an earlier date. In France, a similar lockdown was imposed from March 2020 to May 2020 followed by a second lockdown from October 2020 to November 2020. On January 14, 2021, the French government announced new measures in response to the COVID-19 pandemic, including a stricter curfew that was extended to the entire country. On January 31, 2021, France closed its borders to all non-EU countries, except for hauliers, and as of the date of this Offering Memorandum, the curfew remains in place. Other countries across Europe where we operate including Italy and Spain have imposed similar restrictions. In Poland, the government announced a new nationwide lockdown starting on March 20, 2021 until at least April 9, 2021. In addition, as of the date of this Offering Memorandum, in the Netherlands, a national lockdown and curfew is currently in place.

These measures led to the temporary closure of the majority of our stores for periods throughout 2020 and a significant number of our stores in 2021 to date, and as a result, significantly and negatively affected our business, results of operations and financial condition. For example, by the beginning of April 2020, nearly all of our stores were closed. We have been and expect to continue to be adversely affected by governmental efforts to contain the COVID-19 pandemic. Although the majority of our stores slowly re-opened after the end of April 2020 dependent on the countries where they are located, some stores remained closed or closed again during subsequent lockdowns or are operating with reduced workforces and shortened opening hours. As of the date of this Offering Memorandum, the majority of our stores in Germany and more than one third of our stores in France remain closed. Our stores in the Netherlands have recently reopened on a by-appointment basis. As a result, our store traffic and sales have not reached pre-lockdown levels. For example, in our six core countries as of December 31, 2020, 53.7% of our stores were open. The drop in customer footfall in many locations led to significantly lower brick & mortar sales, and in the periods following the lockdown, extended hygiene measures (such as requirements to provide disinfectants, wear masks and limits on the number of customers in our stores) had to be implemented in stores for the health and safety of our customers and employees, which also resulted in lower footfall. Despite the decrease in sales, fixed costs, particularly in the form of personnel and rental expenses, have not fallen to the same extent, resulting in significant cash consumption during periods of lockdown, including the current store closures, which extend beyond the period envisaged in our original planning assumptions for this financial year. Overall, the COVID-19 pandemic mainly contributed to a decline of our brick & mortar sales by 15.8% in financial year 2019/2020 compared to the financial year 2018/2019 and 28.8% in the first quarter of 2020/2021 compared to the first quarter of the financial year 2019/2020.

The full impact of the COVID-19 pandemic on our business, results of operations and financial condition is uncertain and will depend on future developments, which cannot be predicted. These future developments include, but are not limited to the duration, spread, severity and impact of the COVID-19 pandemic, the possibility and/or impact of additional waves of infections in the countries where we operate,

the timing and ability of vaccinations and other treatments to combat the COVID-19 pandemic, the effects of the COVID-19 pandemic on our customers and suppliers, the duration of future declarations of emergency and any remedial actions and stimulus measures adopted by the governments of the countries where we operate and the European Union and to what extent normal economic and operating conditions can resume. We are also unable to predict the extent, implementation and effectiveness of any government-funded benefit programs and stimulus packages on our employment levels, demand for our products or other aspects of our business.

The COVID-19 pandemic could have further material adverse effects on our business, results of operations and financial condition if:

- the duration, scope and severity of the COVID-19 pandemic result in sustained deterioration in the economic environment in the regions in which we operate;
- as a result of continuing and future COVID-19 outbreaks or other deterioration in public health in the regions in which we operate, governments approve new emergency measures which result in us having to reclose our physical stores, restrictions on deliveries of purchases from e-commerce platform or disruptions in our supply chains;
- continued requirements for social distancing and other policies implemented to slow the further spread of COVID-19 impacts the operation and appeal of our stores, as customers who dislike wearing face coverings or observing social distancing guidance may choose to shop online or not shop at all;
- any customers or employees contract COVID-19, which could result in a temporary closure of our stores or other facilities for cleaning, staff shortages or customers becoming reluctant to visit our stores;
- governments in the regions where we operate continue to impose travel restrictions, including temporary suspension of flight and other modes of travel;
- political, legal and regulatory actions and policies in response to the COVID-19 pandemic are adverse to our business, such as governmental actions or proposed actions limiting retail operations or delivery services, which may prevent us from opening our physical stores or online services or result in material increases in our costs in our effort to comply with such laws and regulations;
- as a result of unemployment or reduced income or increased costs ensuing from the COVID-19 pandemic, consumers respond by decreasing their spending or changing their long-term behavior;
- consumers continue spending more time at home and not socializing or meeting others in person, which in turn negatively affects the demand for selective beauty and personal care products;
- we are unable to maintain staffing at the levels necessary to operate our business due to the continued spread or increased virulence of COVID-19 or related coronavirus strains or resultant health complications, causing employees to be unable or unwilling to work;
- adverse capital and credit market conditions increase our cost of capital or affect our ability to raise capital, and our cash generation is not sufficient to sustain our needs;
- tax rates are increased to fund the cost of various government initiatives initiated in connection with the COVID-19 pandemic; or
- we suffer cyber-security incidents or data breaches as a result of an increase in the number or severity of cyber-attacks, or increased vulnerability while a larger proportion of our employees work remotely.

While we have taken steps to address the impact of the COVID-19 pandemic, there are uncertainties associated with changes to our operational practices and whether they will be successful in mitigating the targeted risks of the COVID-19 pandemic, or cause other adverse effects to our business, financial condition and results of operations due to their unforeseen impact on our ability to operate our business in the future. If, among other factors, the adverse impacts stemming from the COVID-19 pandemic were to cause our results of operations or cash flows to continue to be worse than anticipated or otherwise adversely impact certain of our

assets, such as our inventories, we could conclude in future periods that additional provisions or other liabilities are required, which could have significant adverse effects on our business, financial condition and results of operations. Any such future provisions or liabilities could be significant. We are also subject to the risks of other pandemics or outbreaks occurring in the future, which may present a similar risk to COVID-19. To the extent the COVID-19 pandemic or any other future outbreak adversely affects our business, financial condition and results of operations, it may also have the effect of heightening or exacerbating many of the other risks described in this “Risk Factors” section, including, but not limited to “—We are exposed to changes in general economic and political conditions, in particular in our six core countries”, “—Our sales, liquidity and inventory levels fluctuate significantly on a seasonal basis”, “—We largely depend upon a limited number of third parties for the supply of products that we sell”, “—We are subject to risks in connection with the quality and timely delivery of our own brand products and our relationship with the manufacturers of such products”, “—We may be unable to successfully implement our store investment strategy or our investments into new geographical markets and/or product areas”, “—We face certain risks in connection with past and future acquisitions and joint ventures, including failure to effectively integrate the businesses and achieve expected synergies as well as unexpected liabilities.”, “—Our strategy and reorganization measures may not achieve the expected results”, “—Negotiating, terminating or extending store leases may be difficult or costly, which could negatively impact our competitive position, growth strategy and profitability”, “—We may be unable to effectively manage our costs and inventories”, “—We depend on a limited number of facilities and logistic partners for the distribution of the products that we sell to our stores and could experience interruptions or delays in the distribution and delivery of the products that we sell”, “—We are exposed to the risk of rising labor costs, as well as work stoppages, strikes or other collective actions”, and “—Our insurance coverage could prove inadequate”.

There is material uncertainty about our ability to continue as a going concern.

Our audited financial statements for the financial year 2019/2020, as well as the unaudited interim condensed consolidated financial statements for the three months ended December 31, 2020 were prepared on a going concern basis. The going concern basis contemplates realization of assets and the satisfaction of liabilities in the normal course of business and does not include any adjustments that might result from the outcome of the uncertainty regarding our ability to continue as such. However, given that current store closures extend beyond the periods envisaged in our original planning assumptions for this financial year, there are implementation risks associated with our transformation program and the COVID-19 situation continues to evolve, there exists a material uncertainty related to events or conditions that may cast significant doubt about our ability to continue as a going concern. While the total amount (net book value) outstanding under our Existing Senior Secured Notes, our Existing Senior Notes, and our Existing Senior Secured Facilities amounted to €2,457.0 million as of December 31, 2020 and those debt facilities mature in 2022 and 2023, we intend to repay our Existing Senior Secured Notes, our Existing Senior Notes and our Existing Senior Secured Facilities as part of the Transaction. The auditor’s report in relation to the audited consolidated financial statements for the financial year 2019/2020 contains a paragraph on material uncertainty in relation to going concern. In addition, the notes to the unaudited interim consolidated financial information as of and for the first quarter 2020/2021 include a note on material uncertainty related to a going concern risk for the Group.

The COVID-19 pandemic has had and continues to have a substantial impact on our business, primarily due to the temporary closure of the majority of our brick & mortar stores for periods throughout 2020. See “—Risks Relating to Our Market Environment and Business—The outbreak of the coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations.” Our ability to forecast our pace of recovery from the effects of the COVID-19 pandemic, the eventual levels to which our results of operations will return as well as our cash flows are dependent on the re-opening of our stores, any future government-imposed restrictions or lockdowns in the countries where we operate that result in further store closures as well as developments that could offset the effects of store closures such as the continued shift towards online retailing as well as the optimization of our store network through our Store Optimization Program (“SOP”).

If one or more of our assumptions in making our assessment to report as a going concern are found to be incorrect, we may be unable to continue as a going concern. For additional information, see Note 2 to our audited financial statements for the financial year 2019/2020 and the auditor’s report. If we are unable to continue as a going concern, we would have to liquidate our assets and may receive less than the value at which those assets are carried on our Consolidated Financial Statements, and it is likely that investors will lose a part or all of their investment in the Notes.

We are exposed to changes in general economic and political conditions, in particular in our six core countries.

We are exposed to changes in the economic conditions in the markets in which we operate, in particular, our six core countries where we derive the majority of our sales, accounting for 90.7% of sales in

financial year 2019/2020. These economic conditions include, among others, levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and related willingness or ability to spend, all of which are beyond our control.

The United Kingdom withdrew from the European Union ("Brexit"), following a formal notification to the European Council of its intention to leave the European Union. The United Kingdom and the European Union agreed a trade and cooperation agreement (the "Trade and Cooperation Agreement"), which took provisional effect from January 1, 2021 (provisional application has since been extended to April 30, 2021). Brexit could result in adverse economic effects across the United Kingdom and Europe, and may continue to be a source of instability in international markets, create significant currency fluctuations or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future. The nature of the future relationship between the United Kingdom and European Union remains unclear, as are the macroeconomic effects of the United Kingdom's withdrawal from the European Union.

Future negative economic developments in the global economy, the Eurozone or the countries in which we operate could have an adverse impact on the European selective beauty market in general or in the countries in which we operate. In addition, market disruptions due to natural disasters, health hazards including the COVID-19 pandemic or other major events could also impact consumer spending and confidence levels. As a result, consumers may change their purchasing habits and buy more affordable products than those on offer in the premium beauty market, which could have a material adverse effect on our business, results of operations and financial position.

Adverse economic developments may lead to lower overall sales of the products that we offer or require us to change our product mix in ways that impact our overall profitability or result in slower inventory turnover and higher markdowns on inventory. In addition, changes in economic conditions may lead to higher costs associated with our operations, such as longer payment terms for customers, changes to supplier credit terms and the need to restructure or implement cost-saving measures. Any such adverse economic developments could materially negatively affect our business, results of operations and financial position.

Geopolitical tensions could negatively affect the demand for our products, including current tensions between Western countries and Russia or China, if they further deteriorate. Furthermore, if the European Monetary Union ceased to exist or one or more countries were to leave the European Monetary Union, future economic development and consumer spending in general could be adversely affected, which could in turn have a material adverse impact on the European premium beauty market and on our business, results of operations and financial position.

We may fail to anticipate, identify or respond adequately to changing consumer tastes or new trends.

Our growth and results of operations depend on our ability (and the ability of our suppliers) to anticipate, gauge and react to changes in consumer spending patterns and preferences for specific beauty products. We may fail to recognize relevant trends or translate market trends into appropriate and saleable products that are competitively priced.

Market trends and demand for retail products generally and, in particular, for our beauty and personal care products, are difficult to predict accurately and can change rapidly due to a number of factors, most of which are beyond our control, including, among others, temporary fashion trends, trends relating to premium and low-cost products, consumer spending and demographics. In addition, the success of our business depends on brand and industry perceptions as well as shopping habits of our customers.

During the COVID-19 pandemic, we experienced and are continuing to experience shifts in the mix of products purchased by our customers, which we attribute to the hygiene measures implemented to reduce the spread of COVID-19 such as the widespread wearing of masks, the increased prevalence of working from home and the lack of opportunities for in person social interactions. For example, we experienced a higher share of sales from skin and body care while sales attributable to make-up decreased. If we misjudge either the demand for the products and services, or our customers' purchasing habits and preferences, we may be faced with lower sales and excess inventories. As a result, we may be required to increase our promotional activities or mark down the price of unsold inventories and as a result face reduced liquidity levels and higher working capital requirements.

Any such failure to anticipate, identify or respond adequately to changing consumer tastes and preferences in a timely manner could have a material adverse effect on our business and brand image, our results of operations and financial position.

We may fail to adapt or respond appropriately to changing customer behavior including the shift towards online retailing.

The internet, including the dissemination of information via social media, is becoming increasingly important and is changing the role of brick & mortar retail. As a result, we continuously evaluate our offerings and the way we communicate with our customers. For example, we have observed that footfall in the brick & mortar retail business has been decreasing in recent years due to changes in shopping behavior. In particular, there has been a diversion of sales from brick & mortar stores due to continuous increases in the proportion of sales through e-commerce channels. E-commerce also enables consumers to quickly compare different online suppliers and their prices and increases the risk that we may lose sales to other e-commerce retailers. If we fail to adapt our offerings and the way we communicate with our customers to meet such trends then this could have a material adverse effect on our business, results of operations and financial position.

We believe that the COVID-19 pandemic has accelerated the shift to e-commerce. As a result of the restrictions put in place by governments to deal with the COVID-19 pandemic, many brick & mortar retailers, including us, have been forced to shut their physical stores temporarily or permanently and have shifted their business online, focusing more on their online sales and online presence. This has led customers to increasingly shop online. If more brick & mortar retailers switch their focus to online retailing, if other e-commerce sites enter the market or if existing e-commerce sites expand their online presence, we may be faced with more competition, which may have a material and adverse effect on our business, results of operations and financial position. See also "*The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations.*"

Our sales, liquidity and inventory levels fluctuate significantly on a seasonal basis.

We experience substantial seasonal fluctuations in our sales. Our most important sales period is the seven- to eight-week period leading to Christmas (including Singles Day and Black Friday) and over the New Year. Other sales periods that are important to us are those around Valentine's Day, Easter, Black Friday, Single's Day, Mother's Day and Epiphany (in some countries). The uplift in sales around our most important trading periods is often followed by a period of price markdowns.

Any decrease in sales during peak selling periods, in particular during the Christmas season, could have a material adverse effect on our business and results of operations and financial position for the entire financial year. For example, unusually adverse weather conditions, a significant interruption in the supply of products (whether attributable to suppliers, the supply chain or logistics or other product delivery problems), or a sharp decline in consumer traffic in our store network during peak seasons, could materially affect sales during the relevant financial year. In 2020, a second wave of lockdowns were implemented by governments in Germany, France and certain of our other core countries during the Christmas season as a result of the ongoing COVID-19 pandemic. As a result, our stores in Germany and the Netherlands were closed from mid-December, while partial lockdowns were in place in our other core countries, which contributed to a 9.3% decrease in total Group sales in the first quarter 2020/2021 as compared to the first quarter 2019/2020. In addition, as we could only guarantee delivery of e-commerce orders by Christmas if such orders were placed several days in advance of December 24, the decrease in brick & mortar store sales was only partially compensated by e-commerce sales.

Seasonal fluctuations also have a significant impact on our working capital, liquidity levels and inventory. We incur additional expenses in the preparation for the increased demand we typically expect leading up to, and around, the Christmas season and other peak selling periods and must carry a significant amount of inventory before such periods, which is also reflected in our liquidity (with a certain time lag due to the payment terms that we have agreed with our suppliers). This trend typically results in peak liquidity at the end of the calendar year, followed by significant outflows in the following months as payments for the Christmas period inventory and VAT on peak sales become due. Our cash position at December 30, 2020 also benefitted from deferred payments to tax authorities, landlords and other business partners.

If sales during our peak selling periods are significantly lower than expected, we may be unable to adjust our expenses in a timely manner and may be faced with excess inventory and be forced to rely on higher than usual price markdowns, promotional sales to dispose of excess inventory or inventory write-offs, thus affecting our working capital and liquidity. Higher levels of inventory would also lead to us ordering fewer goods in subsequent periods, which would reduce bargaining leverage with our suppliers. Conversely, if we purchase insufficient quantities of products that sell well during peak selling periods, we may not have an adequate supply of products to meet consumer demand and may fail to maximize our sales opportunities. Any such event could have a material adverse effect on our business, results of operations and financial position.

We face competition in the markets in which we operate and such competition may intensify further.

We operate in the competitive European beauty and personal care market, and, within this market, we focus on the premium beauty market. We compete primarily with other specialist retailers with brick & mortar stores or e-commerce activities, including perfumery chains, independent perfumeries, the perfumery departments of selected (typically high-end) department stores, retailers selling products under their own labels, duty-free shops, travel retail shops, pharmacies and para-pharmacies (which increasingly focus on skin care and natural cosmetics) as well as drugstores, hypermarkets and pure online retailers, online beauty selling platforms or certain of our suppliers who sell directly to consumers through their own brick & mortar stores or online shops, (so-called “mono-brand stores”). While many of these competitors currently compete with us only in certain segments of the beauty and personal care market, they may extend their offerings to compete with us more broadly in the future. For example, drugstores, which currently mostly offer mass beauty and personal care products, could increase their range of selective products and large non-selective online retailers may be able to leverage their significant market presence, logistic infrastructure and cross-selling opportunities to increase their presence in the beauty and personal care market.

Some of our competitors (including online retailers and other direct sellers) have in recent years invested in their product offering and services on a large scale and may further increase their investment in order to improve their competitive position and market share. Drugstores in the low-price segment could also expand their product ranges to include selective products, increasing the competitive pressure we face. Such increased competition could place pressure on our sales, pricing strategy, margins and profitability. Industry consolidation, including by way of mergers and acquisitions, or new competitors that may enter the European beauty and personal care market (and in particular the European premium beauty market) or existing competitors which may expand into other European countries in which they are not yet present but in which we operate, may also lead to increased competition and cause our market position to deteriorate, which could have a material adverse effect on our business, results of operations and financial position.

Such consolidation could also give our competitors increased negotiating leverage with suppliers and greater marketing resources, allowing them to compete more effectively with us. We also face the risk of new competitors offering cheaper imitations of original fragrances or focusing on the entry price sales directed at younger age groups, thus attracting some of our existing or potential customers.

Some of our competitors’ greater market presence in one or more of the countries in which we operate and strong brands may be perceived by consumers as offering higher quality products and services than we offer or the same quality of products and services at more attractive prices. Certain competitors may also be able to react more swiftly to changes in market conditions or trends or may be able to utilize their market presence, strong brand or other advantages when operating in new or changing markets. They may also be willing to accept lower prices or higher costs than we are prepared to accept in order to win market share. The adoption by competitors of aggressive pricing, intensive promotional activities and markdown strategies, or other similar actions could have a material adverse effect on our business, market share, results of operations and financial position. In certain regional markets, low-cost competitors offering products at discount prices have in recent years gained substantial weight and continue to put pressure on our business.

In addition, we face the risk of increased competition from the so-called “grey market,” i.e., the sale of selective beauty products through channels other than the official channels explicitly allowed by the manufacturers as part of their selective distribution system. These include, for example, (i) selective products that are regularly imported into the EU or sold by distribution partners outside the selective distribution system or in violation of distribution contracts and (ii) selective products that are sold more cheaply in emerging or developing markets which are reimported into established markets at lower prices. These products are typically offered at discounted prices that can be substantially lower than those of the selective distributors and could increasingly undermine the selective distribution channel on which our business model is partially based. These products can appear first in online/mobile searches for a particular product, for example through online price comparison tools as well as through listings by large non-selective retailers. We also face increased competition from grey market products for our brick & mortar business, especially when drugstores and discounters expand their selective offerings and source selective products from the grey market. These types of offerings sometimes also extend to counterfeit products.

If we are unable to compete effectively in our marketplace, our business, results of operations and financial position could be materially adversely affected.

The basis of our business model could be restricted or eliminated.

The majority of our sales are generated in the premium beauty market and there, partially through the selective beauty distribution channel, which requires compliance with specific criteria and the formal approval of a supplier before a retailer can carry a selective product, as opposed to the mass distribution channel.

Selective distribution currently benefits from a specific legal framework provided by Art. 101 (1) Treaty on the Functioning of the European Union ("TFEU"), and a so-called "block exemption", which is scheduled to expire in May 2022. The European Commission plans to issue a revised version of the regulation providing for the "block exemption" and has launched a public consultation on possible amendments. As a result, there can be no assurances that existing legal framework applicable to the selective beauty distribution channel will remain unchanged. Any change in the structure of the selective beauty market or the legal framework to which it is subject as a result of changes in laws or court decisions could result in increased compliance costs, increased competition or require a change to our business model, which in turn could materially adversely affect our competitive position and our sales, which in turn could have a material adverse effect on our business, results of operations and financial position. See "*Legal, Regulatory and Tax Risks—We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect to selective distribution contracts*" below.

The strength of the "Douglas" brand, the "Nocibé" brand, our own brand products or the brand products of our suppliers may deteriorate.

Our success depends, to a large extent, on the strength and reputation of, and value associated with, the "Douglas" brand, the "Nocibé" brand and our other brands, for example those relating to our own brand products and other smaller perfumeries brands owned by us, as well as the brands of our suppliers of selective or exclusive products.

Such brand reputation can be negatively affected by various factors, many of which are beyond our control. These factors include, among others, unsuccessful or insufficient marketing and merchandising efforts, inability to adequately respond to consumer tastes and preferences or deterioration of the public image or reputation of a brand as a result of unfavorable publicity concerning our Group, the products that we sell or services we provide, our stores, our personnel or other negative publicity. With respect to premium products from third-party brands, which accounted for a vast majority of our sales in the most recent financial year, we are dependent on our suppliers' investments in marketing and promotion of their brands.

Primarily in France under the Nocibé brand, we have stores that operate through franchisees. The level of influence over our franchisees is limited. Our franchisees in France typically benefit from supplier conditions negotiated by us, have their own purchase processes with suppliers, and purchase certain own brand products and exclusive products from us directly. Franchisees may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our franchisees do not operate according to external or internal standards or do not operate successfully. Disputes with franchisees could also damage our brand reputation and/or our relationships with the broader franchisee group.

Furthermore, any customer complaints, breach or perceived breach of relevant laws, regulations, permits or licenses relating to the beauty, cosmetic or other health-related products sold by us, or failure to achieve or maintain particular standards by us or our suppliers (including those of our own brand products or any of our franchised stores) could also negatively affect our key brands and affect the reputation of our other products, which could damage our customer relationships and lead to a decline in our sales.

Any such deterioration of the strength of our brands and products or the brand products of our suppliers could have a material adverse effect on our business, results of operations and financial position.

We largely depend upon a limited number of third parties for the supply of products that we sell.

We source our products from a variety of different suppliers, for example, in Germany, less than 55% of purchasing volume related to products sourced from our top five suppliers in the financial year 2019/2020.

Our supply chain is susceptible to various risks, including failure by our suppliers to deliver products due to operational or production disruptions, financial problems, labor issues, product quality issues, lack of raw material or other reasons. If one or more suppliers were to fail to deliver the products to us of adequate quality in time or at all, or if we fail to acquire, maintain or strengthen relationships with our suppliers, in particular with respect to premium products, our ability to obtain a sufficient amount and variety of products may be limited and may become insufficient to meet demand. There can be no assurance that additional or alternative suppliers will be available when required on terms that are acceptable to us. Furthermore, in such cases, we might need to make changes to our supply chain and enter into other business arrangements in order to ensure supply of quality products in a timely manner, which could result in additional costs and temporary supply shortages or disruptions. Furthermore, any resulting prolonged negative impact on the quality of the products or services supplied to us could materially adversely affect our reputation and business.

The disruptions triggered by the COVID-19 pandemic in countries where our suppliers are located may result in a slow-down of their production or logistics activities. For example, we have and may again face supply shortages from suppliers who divert their production facilities to focus on products dealing with the COVID-19 pandemic such as fragrance suppliers who start producing disinfectant products. Similarly, we have and may again face supply shortages from suppliers who have central or large warehouses which may be closed due to pandemic area restrictions or COVID-19 cases among their operational teams. In addition, the flow of goods between countries may be impacted by the restrictions imposed on cross border trade. As a result of the COVID-19 pandemic, we have experienced increasing sea freight rates for products within our supply chain that are made in Asia. An outbreak of COVID-19 could also occur at any time among our employees or those of our logistics service providers, which could lead to the implementation of additional hygiene procedures, including complete lockdowns of our logistics facilities or warehouses. These disruptions, while difficult to predict given changing circumstances, may cause a disruption to our supply chain, which may have a material adverse effect on our business, results of operations and financial position. See also *“The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations.”*

Many of our largest suppliers negotiate their supply terms with us across multiple brands and, in particular in Eastern Europe, local distributors generally negotiate with us on behalf of various manufacturers. Consequently, our supply terms for such brands and products may deteriorate in the future due to the increased bargaining power of such suppliers and distributors. If we fail to maintain strong relationships with our existing suppliers and local distributors, or fail to continue acquiring and strengthening relationships with additional or new suppliers, our ability to source a sufficient amount and variety of products and our ability to obtain such products on terms acceptable to us may be limited, which could have a negative impact on our competitive position.

We are also dependent on our suppliers to ensure the quality and quantity of the premium products we offer, and we rely on them to provide supplier bonuses, advertising grants and pricing terms that make the offering of their respective brands commercially worthwhile for us, all of which could be negatively affected in case of deterioration or termination of a relationship with a supplier. In addition, we rely on suppliers to provide market development funds (i.e., funds made available by the brand manufacturers to distributors like us to help sell their products and create local brand awareness). Such market development funds are typically very significant, and a supplier’s decision to discontinue to use our marketing channels, and therefore the withdrawal of such funds, could have a material adverse effect on the results of our operations. Moreover, if we fail to comply with terms of the supply agreements, we could face penalties, potential termination of a contract for cause, or a supplier not renewing our contract at the end of its term. In addition, we cannot eliminate the risk of default by any of our major suppliers under the terms of our agreements with them.

Our inability to acquire products on terms and conditions acceptable to us in the future or at all, the loss of any of our largest suppliers or several smaller suppliers, any changes in exclusivity arrangements with one of our key suppliers or delays or a significant disruption to the supply chain could have a material adverse effect on our business, results of operations and financial position and a negative impact on our competitive position.

We are subject to risks in connection with the quality and timely delivery of our own brand products and our relationship with the manufacturers of such products.

A portion of our sales relate to our own brand products, which we acquire from diverse suppliers mainly in Europe and Asia. These suppliers generally also manufacture products for our competitors and their suppliers. Our agreements with the manufacturers of our own brand products, which set forth the production and delivery of own brand products, are typically based on an order-by-order concept for each own brand product or product line rather than long-term supply agreements and may typically be terminated with six-months’ notice. In case an agreement with an own brand product manufacturer is terminated, there can be no assurance that we will find other manufacturers that will be able to produce comparable replacement products for us at competitive prices or at all. In addition, we typically do not own the recipes to these products, and it cannot be excluded that the manufacturers may sell the same products to other retailers, which may offer them under a different brand and packaging. If those products were sold by other retailers under a different brand and packaging at a lower price, it could reduce our sales of the relevant products, which could have a material adverse effect on our business, results of operations and financial condition.

Since we only have limited control over manufacturers of our own brand products, there is no guarantee that these products will continue to meet our specifications. Furthermore, any breach or perceived breach of relevant laws, regulations, permits or licenses relating to the own brand products sold by us, or failure to achieve or maintain particular standards could also lead to adverse publicity, which could materially adversely affect the reputation of our own brands, as well as the “Douglas” and “Nocibé” brands, damage our customer relationships and lead to a decline in our sales.

As we are the “responsible person” for our own brand products within the context of the applicable European regulations on product safety applicable to cosmetics, any quality defect could lead (on the basis of EU law or similar applicable national laws) to substantial customer claims, administrative or criminal proceedings, penalties or similar. See also “–Legal, Regulatory and Tax Risks–We are subject to numerous laws and regulations in the many jurisdictions in which we operate and may be adversely affected by changes in legislation and regulation.” We could also face damage to our own brands’ reputation.

In addition, if the manufacturing, delivery, sources or supply chain management processes relating to our own brand products are disrupted for a variety of reasons, we may be delayed in restoring our inventory of the affected own brand products and we may experience a significant increase in our cost of sales.

Any of these factors relating to own brand products could have a material adverse effect on our business, results of operations and financial position.

We face risks in connection with product safety and product liability.

We are a distributor of cosmetics and other products. We do not manufacture the products that we sell and thus depend on third parties to ensure that such products comply with applicable quality standards.

At the same time, we qualify as a “producer” of certain cosmetic and other products because (i) we sell our “Douglas Brand” products, which are manufactured by third parties, under our own brands and (ii) import certain products from outside the EU. Producers and distributors who place products on the market in the European Union must ensure that their products comply with general safety requirements as implemented in individual European countries. Producers must also provide consumers with sufficient disclosure or warnings, such that consumers are able to assess the safety of a product, particularly when any danger it might pose is not obvious. Producers must also adopt necessary measures to avoid potential harm to consumers, for example, by withdrawing unsafe products from the market, or recalling dangerous products that have already been supplied to customers. We have in the past recalled products and may have to do so in the future. Distributors are generally required to assist with ensuring compliance with the safety requirements, for example by monitoring the safety of products placed on the market and by immediately informing the competent authorities of the Member States if they know or should have known that a product that they have placed on the market poses risks to the consumer. Any failure by us to comply with applicable product safety regulation through the sale of unsafe products, including through our marketplace, could result in damages, fines or reputational damage, which in turn could have a material adverse effect on our business, results of operations and financial position.

Any failure by us to comply with applicable product safety regulation through the sale of unsafe products, including through our marketplace, could result in damages, fines or reputational damage, which in turn could have a material adverse effect on our business, results of operations and financial position.

If a product that we supply, including via our marketplace, is defective and therefore causes damage to the property or health of our customers or third parties, we may be liable under product liability legislation. This does generally only apply to those cases, however, in which we qualify as a producer of the defective product, as distributors are only liable in exceptional cases. In cases where we qualify as a producer, we are liable jointly and severally together with the manufacturer or other liable persons, but national laws may contain rights of contribution or recourse.

Our e-commerce platform is subject to several risks including regarding the functioning of hardware and software, customer acceptance, integration with our brick & mortar stores.

Our omnichannel offerings have become increasingly important, as we also sell products via our e-commerce platform and our marketplace in addition to our brick & mortar sales, and our success is, among other factors, dependent on our ability to maintain attractive online shops, continue to expand our online and mobile presence, generate e-commerce traffic and convert this traffic into sales. For the twelve months ended December 31, 2020, e-commerce sales accounted for 32.3% of total sales, as compared to 67.3% for brick & mortar sales (referred to as store sales in the financial statements). The remainder is related to other sales (e.g. wholesale).

Our e-commerce operations are subject to a number of risks, including reliance on third parties for computer hardware, software, services and support, the need to keep up with rapid technological change and the implementation of new systems and platforms, as well as the risk that our e-commerce platform or any of our online shops may become unstable, unavailable or subject to cyber-attacks or that customer data may be misappropriated.

In addition, in October 2019 in Germany, we launched our beauty marketplace where we list products from third party suppliers and brands and set their prices on our online shop. If a customer orders a product, we process the payment and then in turn order that product from the relevant third-party partner. Products are then delivered directly by our partners to the end customer. While our partners are solely responsible for the sourcing and supply of products, the marketplace is fully integrated into our existing e-commerce framework. Although the information about the delivery from a partner is displayed on the product detail page and in the basket, customers may perceive that they are purchasing products directly from us. As a result, any issues related to product quality, timing of deliveries or similar matters could adversely affect our brand and reputation among our customers.

We also face the risk that customers find the websites of our online shops difficult to use. Customers may also be unwilling to share personal information online or via our mobile applications, less willing to use the sites than we expect, or not confident that the sites are secure. Furthermore, unexpected costs in connection with the further development of our e-commerce platform and/or our online shops may arise. We may face difficulties in further coordinating our e-commerce platform and our brick & mortar store network, particularly in managing the interface between in-store merchandising and online shopping, which may result in complications for both our e-commerce and cross-channel customers.

We may also be held liable for online content, security breaches and consumer privacy concerns and may be unable to honor our usual delivery terms in case of an unexpected or a higher than expected spike in customer orders or for other reasons which may cause negative reputational consequences. Similarly, negative online reviews from dissatisfied customers may deter other potential customers from using our e-commerce platform and may also affect our brands' reputation and sales in our brick & mortar stores.

We use e-mail, app push notifications and newer media channels, including social media channels such as Facebook, Instagram, Pinterest, YouTube and our own beauty blog "beautystories" (the German version of which is available under <http://blog.douglas.de>) to promote our products or marketing messages. The delivery of such e-mails, app push notifications and messages via social media channels may fail or be delayed for technical reasons, customers may not take note of them, or they may be marked as "spam" or "junk." Actions by third parties to block, impose restrictions on or charge for the delivery of e-mails or other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements on us in connection with them, could impair our ability to communicate with our customers using e-mail or other means. In addition, certain customers may be dissatisfied when exposed to too many advertising campaigns or newsletters and to what they may consider to be e-mail or text message "flooding."

Our failure to respond appropriately to these risks and uncertainties could reduce our sales (in particular, our e-commerce sales) as well as damage our reputation and brands, especially since e-commerce is a significant part of our growth strategy. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

We depend on a limited number of facilities and logistic partners for the distribution of the products that we sell to our stores and could experience interruptions or delays in the distribution and delivery of the products that we sell.

The continuous optimization of our procurement and logistics processes significantly impacts our operational performance. The demands on logistics have continued to rise, especially with the growing e-commerce business and the increasing interlinking of brick & mortar stores and e-commerce platforms. Due to the accelerated shift of consumer demand towards online retailing, we have seen an increase in demand for supply chain capacity at our e-commerce fulfillment facilities. Any failure of our supply chain or logistics service providers to keep up with increased demand for capacity, either as a result of the shift towards online retailing or any other market trends could result delays, disruptions or additional costs.

We have outsourced the vast majority of our logistics operations and cooperate with a few logistic partners who, for example, run our e-commerce fulfillment centers in Germany, Italy, Poland, France and the Netherlands. This outsourcing approach applies alike for some of our warehouses and cross-docking centers. It may be difficult to replace our current logistics providers due to a lack of alternative offerings at comparable prices and/or service quality and we may face higher costs when an existing logistics contract is renewed or replaced.

The vast majority of our logistics sites are leased and some of the relevant leases, as well as some of the logistics partner service agreements will expire within the next three years. If we are unable to renew the respective leases, it may be difficult for us to lease suitable alternative locations on favorable terms and any new leases may involve changes to our logistics organization, as well as increases in lease payments and other costs. A similar risk applies to our logistics partner service agreements.

As part of our #FORWARDBEAUTY.DigitalFirst strategy, we are in the process of moving towards a One Warehouse, All Channels ("OWAC") approach to our physical supply chain where we will replace our existing logistics facilities with five warehouses that will service our physical stores and e-commerce customers as well as handle partner fulfillment for our marketplace. In December 2020, we started construction on the first OWAC site in Hamm, Germany. We currently expect that all five facilities will be owned, staffed and managed by third party logistics partners and thus our dependency on our logistics partners will likely increase. There can be no assurances that our logistics will successfully transition into the OWAC approach and the transition process may lead to additional costs, disruptions or delays in the distribution and delivery of our products.

Any disruption to our relationship with any external transporters, major logistic partners or brand manufacturers/brand suppliers with respect to logistic costs or similar could also adversely affect our business or result in increased shipping costs, which could negatively affect our results of operations.

In addition, the delivery of the products that we sell (both the delivery to our brick & mortar store network as well as to customers who purchased the products via our e-commerce platform) could be delayed or fail due to technical problems, strikes or force majeure, including adverse weather conditions and pandemics. Furthermore, any major operational disruptions or accidents in our warehouses and centers, and any breakdowns or disruptions of the operations of our suppliers, might significantly impact our ability to distribute products and maintain an adequate product supply chain and in-store inventory. For example, an outbreak of COVID-19 could occur at any time among our employees or those of our logistics service providers, which could lead to the implementation of additional hygiene procedures, including complete lockdowns of our logistics facilities. In addition to delivery disruptions, our business could be negatively affected if we receive damaged goods from our suppliers.

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

A failure to adopt and apply technological advances in a timely manner and to successfully expand our multi- and cross-channel capabilities could limit our growth and prevent us from maintaining profitability.

We face risks in connection with continuous technological development and the shift from traditional sales channels such as brick & mortar stores to online and mobile-based channels and multi- and cross-channel models, both of which can increase competitive pressure. For example, our online and mobile offerings must keep pace with the technological development of the devices used by our customers, the technological progress of our competitors and any consequential new shopping behaviors and trends. Recently, specialized online or mobile applications relating to beauty in general and beauty products in particular have increased significantly, contributing to substantial changes in shopping behavior and the use of distribution channels by customers.

Furthermore, our success, in particular with respect to our e-commerce sales, depends on our ability to continuously improve our technological platform and to develop new applications in line with the technological development and trends in order to remain competitive. For example, the introduction of new payment solutions may entail substantial costs and effort and there is no guarantee that such new solutions will be accepted by customers, which may result in frustrated expenses. We may fail to adopt and apply new technological advances in a timely manner, or experience difficulties or compatibility issues.

Any such failure to adopt and apply technological advances in a timely and effective manner and to further invest into multi-channel strategies and their implementation could have a material adverse effect on our business, financial position and results of operations.

Our initiatives to support our brands, generate customer traffic and build or retain a loyal customer base, as well as other marketing initiatives may not be effective.

In an environment characterized by increasing levels of promotions and associated customer discounts, the growth of our sales depends on the success of our marketing and communications strategy and our ability to respond to changing customer tastes and competitors' promotional activities. We use various tools, such as marketing events, online advertising, visual merchandizing, social media and in-store events to support the positioning of our brand, acquire new customers, increase the number of customer visits to our websites, the number of orders and the purchase size per order. We have made and will continue to make significant investments in brand awareness and enhancement, customer acquisition and customer loyalty, and there is a risk that such investments will prove ineffective.

The operating expenditures to support marketing initiatives may turn out to be higher than estimated and require more management time than planned. There can be no assurance that our assumptions supporting our marketing strategies will prove to be correct and that such expenditures will result in increased

sales or increased profitability. In addition, there can be no assurance that expenditures with respect to new concepts and re-branding, or changes and updates to existing concepts, will be met with the expected customer acceptance and lead to the anticipated results.

In addition, blogging and social media activities can heavily influence our business success. Critique in blogs, forums and social media, based on ecological, ethical or many other considerations, regardless of whether reasonable or not, may rapidly spread online. In such cases, a certain product may have to be withdrawn or a campaign to be stopped, which may cause damage to our reputation and our brands as well as result in additional costs.

Furthermore, certain advertising or marketing methods currently used by us may become less effective or legally restricted in the future, marketing systems may malfunction, our online couponing system may be disrupted or may be affected from outages, or our customer relationship management system may suffer from a lack of availability or poor quality of customer data.

In addition, changes to the terms and conditions of social networking services as well as changes to search algorithms of online search engines could limit our promotional capabilities, and there could be a decline in the use of such social networking services by customers and potential customers in the future.

Failure to implement our marketing initiatives or our customer relationship management system successfully, or their failure to result in improved profitability, could have an adverse effect on our liquidity, financial position and results of operations and on the implementation of our growth strategy.

We may be unable to successfully implement our store investment strategy or our investments into new geographical markets and/or product areas.

Part of our growth strategy includes investments in our existing stores as well as, from time to time, new store openings and expansion of our franchise program. However, we may not be able to implement our strategy successfully or at the envisaged pace if our investments into selected locations are unsuccessful or if we fail to identify and lease attractive store locations on acceptable terms, attract and hire skilled sales staff or implement the required infrastructure. We may also face difficulties in obtaining adequate financing to fund future investments or expansion or correctly estimating customer demand for brick & mortar sales. In addition, the opening of additional franchised stores depends, in part, upon the availability of prospective franchisees who meet our criteria.

In addition, we still intend to selectively enter new geographies from time to time. Entering a new geographical market requires substantial investments and may not lead to the desired results or occur at the desired pace. Our success in pursuing this strategy will be dependent on various factors including our understanding of the target market, our ability to position ourselves within such new markets, as well as our ability to offer products adapted to local preferences on competitive terms. No assurance can be given that we will be able to successfully penetrate and operate in any new markets on a sustainable and profitable basis.

Factors that may negatively influence the planned expansion and result in higher-than-expected costs or delays include, in particular, political or economic instability, difficulties in finding reliable local partners and in recruiting and retaining a sufficient number of skilled staff, difficulties in prevailing over local competition and in generating a sufficient level of sales, difficulties related to labor relations or compliance issues, as well as any imposition of restrictions on import, investment or currency, such as tariffs and import quotas on the repatriation of earnings and capital, and greater-than-expected competition. Furthermore, entering a new market entails operational complexities and risks, such as adapting the product offerings as well as our logistics, payment, fulfillment and customer care practices to take account of local tastes and practices and the operation of country-specific online shops. If we fail to manage these challenges adequately or if any of these risks materialize, the significant investments made may not be recovered and substantial losses may occur.

Moreover, we have explored different product offerings beyond our core beauty focus and we plan to continue to develop selected non-core product offerings in the future. For example, we recently launched “beauty food”, a non-core product category that includes food supplements. There can be no assurance that we will be successful in expanding into areas beyond our core beauty portfolio, that any new product categories will perform as expected, and that the investments incurred in connection with such expansion will be recovered. Even if new products begin to gain traction with our customers, we may need to sustain or increase our advertising and marketing activities to ensure their continued success. In addition, our existing or new competitors may also target these segments and may be able to pre-empt some of our expansion plans. Our expansion into different product offerings or product categories may also subject us to new regulatory regimes or lead to increased regulatory scrutiny, any of which could lead to increased compliance costs. Furthermore, our plans to grow our business, among others, through the growth of products sold under our own brands, may result in our taking greater risks on holding stock. If we are left with excess inventory of our private label products, due to such products’ failure to meet customers’ tastes or preferences or for other

reasons, we may not be able to make arrangements with the suppliers of these products to dispose of the excess stock or offset all or part of the costs incurred. There is a risk that this will materially affect our working capital and liquidity, which could have a material adverse effect on our business, results of operations and financial position.

Our selected expansion into service offerings may not be successful due to its substantially different business model, financial parameters and margins. In addition, customers may not accept us as a legitimate point of service. For example, in the past, we installed hair dressing and beauty cabins across a number of stores, testing different store concepts in selected locations. However, many of them were closed, since they did not achieve the expected demand. In addition, due to the COVID-19 pandemic and the related measures taken by governmental authorities such as social distancing and lockdowns, we have been unable to fully test new service offerings at our stores.

Given the various challenges to which we are exposed and the uncertainties inherent in our business, there can be no assurance that our expansion strategy can be successfully implemented. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

We face certain risks in connection with past and future acquisitions and joint ventures, including failure to effectively integrate the businesses and achieve expected synergies as well as unexpected liabilities.

We have strategically pursued acquisitions and entered into participations in order to expand our footprint and operations. Such activities include both large-scale acquisitions, as well as smaller bolt-on acquisitions across different countries with the aim of strengthening our presence and market position in the respective jurisdictions. For example, in July 2017, we acquired Grupo Bodybell ("Bodybell") in Spain, which comprised 223 stores, two online shops and Bodybell's logistics platform. In November 2017, we acquired a portfolio of 103 stores and the e-commerce platform of Perfumerias If in Spain and Andorra as well as Limoni S.p.A. ("Limoni") and La Gardenia Beauty S.p.A. ("La Gardenia"), which together comprised approximately 500 stores across Italy. In August 2018, we acquired an 80.0% interest in Parfümerie AKZENTE GmbH ("Parfumdreams"), which comprised an online shop and brick & mortar stores in Germany. In July 2019, we acquired a 51.0% interest in Niche-Beauty.COM GmbH ("Niche Beauty"), an online portal for luxury, niche and trend cosmetic brands. We have also entered into various joint ventures and cooperations.

In the future, we may consider selected acquisition opportunities, enter into joint ventures or undertake investments or disinvestments in a targeted manner. There can be no assurance that we will be able to identify suitable targets and consummate an acquisition or enter into joint ventures or investments on favorable terms or at all. It is also possible that not all material risks in connection with acquisitions or the establishment of joint ventures will be identified in the due diligence process and that such risks will not be taken into account in the decision-making process or the respective agreements to a sufficient level or at all. In addition, future acquisitions may also entail financial and tax restructuring measures which, even if designed with the aim of achieving a tax-efficient structure, may expose us to risks, e.g., if the tax authorities were to challenge any of the implemented measures.

Furthermore, past and future acquisitions, joint ventures and investments in businesses entail risks relating to the integration of businesses, including the employees, processes, IT, logistics and other systems, as well as product offerings. Such integration may be a complex, time consuming and expensive process and will likely involve several uncertainties. These include the costs and expenses associated with unexpected difficulties, the diversion of management's attention from our daily operations and/or strategic business decisions, the potential loss of key employees, difficulties in competing with existing stores or business or diverting sales from existing stores or business, difficulties in complying with foreign regulatory requirements and the additional demands on management related to the increase in the size and scope of our operations following an acquisition.

For example, we have in the past and may in the future be required by antitrust authorities to dispose of certain stores as part of an acquisition. While we typically aim to divest franchised stores, in order to meet such conditions, we have disposed and may need to continue to dispose of certain directly operated stores, which would have a more substantial adverse impact on our profitability than the termination of franchises (which would mostly result in the loss of the respective royalties only). Due to our already large footprint and the concentration of the selective beauty market in Europe, it may become increasingly difficult to meet the requirements of antitrust and competition regulation when pursuing acquisition targets.

Even if we are able to successfully integrate newly-acquired businesses, this integration may not result in the realization of the full synergies, cost savings, revenue and cash flow enhancements, operational efficiencies and other benefits that we expect. Furthermore, changes in brand name in the context of an integration following a major acquisition are associated with additional costs and the risk of a potential loss of business and reputation.

The realization of any of these risks in connection with past and future acquisitions and joint ventures may have a material adverse effect on our competitive position, profitability and growth, and thus on our business, results of operations and financial position.

We incurred and may continue to incur certain obligations and may face certain risks (subletting risks) in connection with the divestiture of our non-perfumeries business.

In 2014, certain of our non-core businesses, including the book retail business ("Thalia"), the fashion retail business ("Appelrath"), the jewelry retail business ("Christ") and the confectionary business ("Hussel", together with Thalia, Appelrath and Christ, the "Disposed Businesses") were carved out from our group and later sold to third parties.

However, we remain party (as lessee) to some of the lease agreements relating to stores of the Disposed Businesses, i.e. stores that are operated by the Disposed Businesses as sub-lessees and are thus dependent on their punctual payment of rent. In addition, we remain liable for the Disposed Businesses' payment obligations, either as guarantor or joint and several debtor, under certain lease agreements that have been transferred to the Disposed Businesses. As a result, if one or more of the Disposed Businesses are in default under the sub-lease, we may be held liable by the main lessor.

If and to the extent the Disposed Businesses no longer perform (or are no longer able to perform) their obligations (in particular their payment obligations) or do not pay their rent punctually to the respective lessor, there is a risk that we will suffer a shortfall in income, or are held liable for the Disposed Businesses' obligations, which could have a material adverse effect on our business, results of operations and financial condition. As a result of the COVID-19 pandemic, some Disposed Businesses suspended and have continued to suspend certain rent payments, which has resulted in us having to make rental payments on their behalf to the respective lessor and could cause us to have to make such rental payments in the future.

Our strategy and reorganization measures may not achieve the expected results.

There can be no assurances that any of our strategies including any reorganization measures will be successful. For example, we have started to implement the next phase of our #FORWARDBEAUTY strategy, known as #FORWARDBEAUTY.DigitalFirst, where we focus on digitalization in order to further develop our integrated beauty platform that links our brick & mortar stores and e-commerce platform. We may be required to invest more than currently budgeted in order to implement our #FORWARDBEAUTY.DigitalFirst strategy, we may be unsuccessful in recruiting and retaining suitable talent in particular any technology specialists. Furthermore, we may not realize the anticipated benefits associated with the strategy and may fail to implement the strategy in the desired time frame or at all. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

In addition, we have carried out reorganization measures in the past few years and will continuously adapt our structures and processes to the current needs of our markets. In light of the shift in customer behavior towards online retailing, which has been accelerated by the COVID-19 pandemic, we have launched our Store Optimization Program ("SOP"). Our SOP targets closing approximately 500 stores by the end of September 2022 across our network but with a focus on Southern Europe, where our sales from brick & mortar stores were particularly affected by the COVID-19 pandemic and where there is currently high overlap in store locations due to our historical acquisitions. See "*Business-Strategy-Complement accelerating e-commerce channel with Store Optimization Program*". These costs have been reflected to a lesser degree in our financial statements, as our SOP was announced in January 2021. We may also carry out further reorganization measures from time to time.

Such measures, including the SOP, entail costs, may divert management's attention from our daily business and/or strategic business decisions, and may otherwise be disruptive to our business. In addition, the SOP anticipates a decrease in revenue in an attempt to optimize our portfolio. There can be no assurance that such reorganization measures may lead to the expected efficiency improvements or cost savings or be completed within the planned timeframe, for example should we wrongly identify stores that should be closed as part of the SOP. Furthermore, our SOP assumes that a portion of sales from closed stores will be transferred to our other stores in the same catchment area or our e-commerce platform and there can be no assurances that such transfer will materialize to the extent anticipated or at all, in particular if governments in the countries where we operate implement further lockdowns as a result of the COVID-19 pandemic. Additional lockdowns could also prolong periods of inventory recovery. Furthermore, any such reorganization process may have a disruptive effect on our work force, could have and has resulted in disruptions through strike action such as recently experienced in France and Spain or lead to adverse publicity as a result of store closures or otherwise. We may also face additional costs as a result of negotiations with trade unions, employee representatives or employees relating to severance payments or other compensations as well as landlord negotiations relating to stores that we intend to close.

Any of these factors could have a material adverse effect on our competitive position, profitability and growth, and thus on our business, results of operations and financial position.

We may be unable to manage our growing business activities effectively.

Our business has grown significantly over the last decade, and continues to selectively expand, whether via acquisitions or otherwise. We had an average number of employees of 21,016 (salaried employees and excluding apprentices) in the financial year 2019/2020. As of December 31, 2020, we operated in 26 European countries with over 2,300 stores (including 141 franchised stores) in 20 countries and online shops in 24 countries. On a net basis, our brick & mortar store network grew by 454 stores (including stores that were acquired as part of the acquisitions of Limoni and La Gardenia in Italy as well as Bodybell and Perfumerias If in Spain and Andorra) between October 1, 2017 and December 31, 2020. Our online shops which we operate in 24 countries include several shops that were launched during the past few years, and we also plan to launch additional online shops in the near future. We cannot guarantee that opening or acquiring additional brick & mortar stores, the launch of new online shops or the further expansion of our e-commerce platform will not adversely affect our existing operations.

Our operating complexity will continue to increase as we implement our growth strategy and will require a continuous expansion and improvement of our operating capabilities and the training and management of a growing employee base. Developing and refining the appropriate internal management, accounting and book-keeping processes, organizational compliance and risk monitoring structures required for this growth and the increasingly complex group structure places high demands on us and our management, as well as on our operational and financial infrastructure, with no assurance that sales and profitability will increase accordingly. As our operations grow further, we will need to continue to improve and upgrade our systems and infrastructure to deal with the greater scale and complexity of operations. Delays in improving these systems and in reaching an appropriate level of staffing may result in business and administrative oversights and errors, which may also lead to higher operating expenses.

In addition, our growth could make it difficult for us to adequately predict the expenditures we will need to make in the future. This growth could also impact the operational flexibility of the supply chain organization and impair our ability to react promptly to changing customer demands and new market trends. If we do not make the necessary capital or other expenditures to accommodate our future growth, we may not be successful in our growth strategy. Continued growth could also strain our ability to maintain reliable service levels for our customers and to develop and improve our internal controls. Moreover, certain businesses we have acquired or may in the future acquire may have less robust internal controls than the rest of the Group, which might create additional control challenges until the relevant standards can be upgraded to those used by the rest of the Group.

We may be unable to accurately anticipate all the demands that our expanding operations will impose on our business, personnel, systems and controls and procedures, and the failure to appropriately address such demands, or the realization of any of the above-mentioned risks, could have a material adverse effect on our business, results of operations and financial position.

Negotiating, terminating or extending store leases may be difficult or costly, which could negatively impact our competitive position, growth strategy and profitability.

The success of our business depends, in part, on our ability to identify suitable premises for our brick & mortar stores in attractive locations and to negotiate acceptable lease terms. We compete with other global and regional retailers to obtain favorable store locations and lease terms in shopping malls and in city centers. If we are not able to secure attractive sites for new stores on acceptable terms, our further expansion would be significantly impacted which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, new stores from other retailers or our own new stores in the proximity of our existing stores could compete with our existing stores for customers.

Our commercial leases typically provide for an adjustment of the rent due to changes in certain public indices. Such adjustments are intended to counteract inflation risks of long-term contracts. If the relevant indices increase at a higher rate compared to past performances, or if there are adverse changes in terms of calculations relating to such indices, rents linked to these indices will be adjusted at higher levels which could increase our expenses and have a negative impact on our profitability and results of operation which could have a material adverse effect on our business, results of operations and financial position. In addition, many of our lease agreements contain sales-related additional variable lease payments and hence, the ultimate level of our rent will depend on the level of our sales. As part of our SOP, we intend to terminate leases of stores that we are closing and re-negotiate certain other existing leases of our continuing store portfolio. There is no guarantee that these re-negotiations will be successful and the cost, difficulty or time associated with such re-negotiations may materially and adversely affect our business, results of operations and financial condition.

Our ability to attract customers to our stores depends, in part, on the success of shopping centers and city centers in which our stores are located, and any decrease in footfall at those retail destinations could adversely impact our sales.

Our brick & mortar sales accounted for 74.0% of our sales for the financial year 2019/2020. Our brick & mortar stores are typically located in prominent locations within shopping centers and town centers. Our sales at these stores are dependent, to a significant extent, on the volume of customer traffic in such retail destinations and the surrounding areas. This in turn benefits and is dependent on the ability of other retailers in those destinations to generate customer traffic in the vicinity of such stores.

Our sales may, thus, be adversely affected by a decrease in popularity of the retail destinations or anchor stores in the vicinity of our stores, the closing of anchor stores or a deterioration in the financial position of retail destination operators or developers that could, for example, limit their ability to finance tenant improvements for us and other retailers. Store closures by other retailers and vacancies in shopping centers and other retail destinations may also decrease footfall. There can be no assurance that we will be able to obtain alternative store leases in prime locations on commercially acceptable terms. Moreover, properties currently considered prime locations may deteriorate and become less desirable in the future.

The ongoing COVID-19 pandemic and the government measures undertaken to reduce the spread of COVID-19, including the forced closure of non-essential shops, curfews, social distancing and hygiene requirements, as well as precautionary measures taken by many individual consumers to minimize their contact with other individuals in public, have significantly affected footfall in shopping centers and retail destinations. See “–The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations.” A decrease in footfall as a result of these or other factors constitutes a major challenge for the like-for-like development of our brick & mortar business.

We may also continue to be faced with the relatively high fixed costs relating to the leases of our brick & mortar stores in prime locations, while achieving a lower level of sales from our brick & mortar business. As a result of the lockdowns implemented by governments across Europe during the course of 2020, the majority of our brick & mortar stores in various countries were closed during their respective lockdown periods. In part pursuant to certain government initiatives aimed at alleviating the effects of the COVID-19 pandemic for businesses, we have attempted to defer and/or reduce lease payments on our leased premises for certain lockdown-affected periods. However, our success at negotiating these arrangements have varied significantly on a case by case basis depending on the landlord and country. There can be no assurances that we will be able to obtain any rent deferrals or reductions in 2021, to aid in offsetting our relatively high fixed costs.

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

We may be unable to effectively manage our costs and inventories.

Our profitability depends on our ability to effectively manage operating costs, including the implementation of cost-control programs relating to store leases and operations, cost-effective purchasing programs for the products sold, the optimization of personnel costs, achieving central overhead cost synergies and improving supply chain and inventory management. Our cost structure may be negatively affected by cost increases, in particular those relating to rental, electricity and personnel costs, as well as transportation and logistics costs, among others. In particular with respect to fulfillment costs, we have experienced such costs increases in a significant manner in recent financial years, as a result of a higher share of e-commerce sales and our OWAC strategy, which has led to a higher volume of outbound goods. In addition, the increasing shift towards e-commerce may further affect our operating costs such as by increasing delivery costs.

Failure to control the amount and quality of our significant inventory stock could also reduce profitability and increase losses. For example, constraints in our inventory management systems and/or processes may cause excess inventory in one location and insufficient inventory in another. Conversely, failure to order enough stock or problems in the delivery and distribution of stock could result in unfilled orders and missed sales opportunities.

If we are unable to continue to achieve these economies of scale and cost efficiencies due to fluctuations in our operating costs or for other reasons, this could also have a negative impact on our results of operations. In addition, if we fail to effectively manage our operating costs or inventory stocks, our profitability and growth could be adversely affected, which could have a material adverse effect on our business, results of operations and financial position.

Our operations may be interrupted or otherwise adversely affected as a result of failures in our information technology systems.

Our success and daily operations depend on the continuous and uninterrupted availability and quality of our information technology (“IT”) systems and the relevant data. This data includes orders and other

customer transactions, to manage inventory, to purchase and ship the products that we sell, and to effectively manage the operations of our brick & mortar stores and e-commerce platform. We also depend on our IT systems to be able to effectively manage our customer relationships. With technological advances, greater networking and an increasing integration of business processes, the need for the permanent availability of our IT systems has become even more critical. In addition, certain of the IT systems used for our brick & mortar business and substantially all of the IT systems used for our e-commerce platform are hosted externally (including cloud services) by third-party service providers.

Management uses certain IT-based demand-forecast tools and other IT systems to support decision making and to monitor business performance. In case of a system disruption, including any difficulties during rollouts, we may fail to generate accurate and complete financial and operational reports essential for making decisions at various levels of management, which could lead to less-informed decisions being made.

We have purchased cyber insurance coverage to cover a limited number of risks which could be caused by an interruption of our IT systems through hacking or other cyber-attacks, but the risk of disruption to our IT systems cannot be entirely eliminated. Our cyber insurance coverage is subject to limitations, caps and deductibles, such that our insurance coverage may not be sufficient. See also “*Our insurance coverage could prove inadequate.*” Such disruptions may result from a range of factors, including events beyond our control, such as telecommunication problems, software errors, hardware failures, power outages or damages, user errors, inadequate capacity at IT centers, computer viruses, attacks by hackers or other third parties or other security issues, fire or natural disasters. Any material disruption or slowdown of our IT systems could cause information, including data related to customer orders, to be lost or delayed, and functionalities to be interrupted, both of which could disrupt our ability to market, offer and sell our products, as well as our ability to track, record and analyze the sales of our products, which could negatively impact our operations and result in lost sales, in particular if occurring in one of our peak selling periods. In addition, our business could be adversely affected if changes in technology cause our IT systems to become obsolete or outdated or if our IT systems are inadequate to handle our growth. Moreover, certain of our subsidiaries, especially ones that have recently been acquired by us, may have less robust IT systems and cyber security frameworks, which could increase their vulnerability to disruption or cyber-attacks until they can be upgraded to the standards used by the rest of the Group. Any of these factors could have a material adverse effect on our business, results of operations and financial position.

We depend on our ability to attract and retain qualified managerial staff and skilled, motivated personnel.

The success of our business depends significantly on our ability to retain senior management, other qualified managers and employees in key positions, many of whom have many years of experience and specialized expertise in our business. Competition for qualified, motivated personnel is intense, and we may not be able to attract and retain all members of our senior management team or a sufficient number of qualified personnel in the future.

Also, as we centralize and standardize many tasks which were previously performed by store personnel, we may lose some of our employees due to difficulties or motivational issues relating to the loss of autonomy of individual stores.

Any failure to attract and retain senior management or qualified staff could impair our growth and ability to manage our operations effectively and may have a material adverse effect on our business, financial position and results of operations.

We are exposed to the risk of rising labor costs, as well as work stoppages, strikes or other collective actions.

Personnel expenses represent a significant part of our cost base. We may face considerable wage increases in the future, for example in connection with increasing statutory minimum wages, due to collective bargaining agreements that apply to us in certain jurisdictions or otherwise as a result of general rising wages. If we are not successful in limiting such increases in personnel costs or the effects thereof, or if cost increases or the effects thereof cannot be passed on to our customers, this may have a material adverse effect on our business, financial position and results of operations.

In addition, since our business is labor intensive, maintaining good relationships with our employees, trade unions and other employee representatives is crucial to our operations. Works councils have been established at certain Group companies and it cannot be excluded that employees will demand the establishment of further works councils. As certain of our employees are members of trade unions or enjoy similar rights due to applicable laws in the countries where we operate, we have in the past experienced and are subject to the risk of strikes, in particular if employees are dissatisfied with salary levels or proposed salary increases, personnel or other business measures affecting our workforce or during busy trading periods such

as Christmas. For example, our SOP targets the closure of approximately 500 stores across our store network and resulted in a local strike in France in February 2021, and a strike in Spain in March 2021. There can be no assurances that we will not face further strikes or work stoppages or other types of conflicts with trade unions, employee representatives or our employees in the future in connection with the SOP or otherwise.

Any deterioration of our relationships or disputes with trade unions, employee representatives or our employees or any material work stoppages, strikes, further unionization efforts or other types of conflicts with trade unions, employee representatives or our employees could have a material adverse effect on our business, results of operations and financial position.

We have financial obligations to our employees, in particular retirement benefit obligations, the calculations of which are based on a number of assumptions, which may differ from actual rates.

As part of the employment compensation package, we provide different retirement benefit arrangements or similar benefits. Our defined benefit obligations are based on certain actuarial assumptions that can vary by country, including discount rates, life expectancies and rates of an increase in compensation levels. Provisions are recognized for funded and non-funded employer-financed commitments arising from retirement benefit entitlements and ongoing payments to employees and former employees and their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. These commitments are accounted for in accordance with the requirements of IAS 19 (Employee Benefits).

A change in actuarial assumptions or market conditions with respect to, for example, discount rates, life expectancies or compensation figures, could affect the present value of our liabilities and lead to an increase in our defined benefit obligation and to additional provisioning required, which may have a material adverse effect on our financial position and results of operations.

Our assets, such as goodwill and the "Douglas", "Nocibé" and other key brands owned by us are subject to the risk of impairment.

As of December 31, 2020, we had intangible assets and right-of-use assets from leases totaling €3,218.1 million. The intangible assets mainly consisted of goodwill, the "Douglas" brand and the "Nocibé" brands. The right-of-use assets in an amount of €1,178.4 million reflect our leasehold interests accounted for under IFRS 16. We determine the value of the intangible assets in accordance with applicable accounting principles and distinguish between amortizable intangible assets, and non-amortizable assets, such as goodwill.

With respect to intangible assets that are not amortized and to the right-of-use assets from leases, an impairment loss may have to be recognized if the expectations on which the current carrying amount are based are not fulfilled and the recoverable amount of any cash generating unit is less than the Group's carrying amount, such as if market and industry conditions deteriorate or interest rates rise.

In performing impairment tests of assets, such as goodwill and other intangible assets, including our main brands, management considers several assumptions and carries out analyses that are based on projections and judgments. Economic downturns, including deteriorating economic conditions in the industries and regional markets in which we operate and as a result of the COVID-19 pandemic, as well as legal, regulatory, competitive, contractual and other factors may affect these assumptions and therefore the value of our assets. In addition, impairments on property, plant and equipment and right of use assets from real estate leases are recorded from time to time triggered by ongoing negative contribution margins of certain stores and intended store closures. Recognition of an impairment charge would reduce our reported assets and earnings. For example, in the financial year 2019/2020, we recorded goodwill impairments of €279.7 million relating to former acquisitions. We cannot predict whether future impairment charges may become necessary.

An impairment loss with respect to intangible assets and/or deferred tax assets may have a material adverse effect on our net assets, financial position and results of operations.

The payment methods that we accept expose us to operational, regulatory and fraud risks.

We currently offer different payment methods tailored to meet our local customers' payment preferences, both in our brick & mortar stores and online shops including cash, invoicing, credit and debit cards, PayPal, advance payment, online bank transfer pursuant to the electronic payment standard, direct debit, checks, and in Germany and Austria with the Douglas Beauty Card Premium and gift cards. Payments in transit using certain of these payment methods, as well as cash in tills, are taken into account when calculating net leverage ratios pursuant to the Indentures as well as other of our financing arrangements.

We face the risk of operational failures during the checkout process in our e-commerce platform relating to the complexity of certain payment methods. Such difficulties could adversely affect our conversion rate which is the proportion of site visitors that actually complete the purchasing process. We may also become subject to additional or changing regulations regarding certain payment methods, such as the operating rules and certification requirements of payment scheme associations and rules governing electronic funds transfers, which apply to credit and debit cards, whether in general or in a particular country in which we operate. We may also become subject to more stringent or complex compliance requirements, for example with respect to certain of our gift cards. For certain payment methods, such as credit and debit cards, we also pay interchange and other fees, which may increase over time and cause our operating expenses to rise. In Germany, we also operate the payment infrastructure for our physical stores, which creates additional risks beyond the payment risks discussed above. Any disruption in these payment systems could adversely affect the payment processing capabilities at these stores.

Furthermore, customers may claim that purchases or payments were not properly authorized or were transmitted in error. We also face the risk that customers may have insufficient funds, and of various types of fraud or cyber-attacks. Any failure to avoid or limit losses from fraudulent transactions could damage our reputation and result in increased legal expenses and fees. In the case of invoicing and of customers paying with the Douglas Beauty Card Premium, we also carry a certain risk of non-payment of invoices or insufficient funds.

In case of repeated fraud events relating to credit card transactions, in addition to the direct losses, we could lose the right to accept credit cards for payments going forward and, potentially, credit and debit card providers could cease payments to us for purchases already made. For example, the risk of an invalid transfer instruction by a customer, and thus the risk of abuse, lies generally with the retailer in some of the countries in which we operate. Therefore, we could become liable for certain fraudulent credit card transactions, which could have a material adverse effect on our business, financial position and results of operations. We also face the risk that authorities might take the view that the issuance and redemption of our gift voucher cards or the provision of certain other services in our stores may violate certain legal requirements of the EU Payment Services Directive, and other applicable regulatory requirements.

Any of the above risks related to payment methods could have a material adverse effect on our business, results of operations and financial position.

We face a risk of theft or misappropriation of funds and products in our stores, our warehouses or logistics centers and those of our logistic partners, and we are exposed to a risk of misappropriation of our customer data and other inappropriate behavior.

In the ordinary course of our business, we are exposed to a risk of theft of our products in our brick & mortar stores. Products may also be misappropriated during transportation or at our warehouses and logistic centers and those of our logistic partners. In addition, we may experience a misappropriation of funds in our stores or at other levels of our business or the abuse of our resources such as our products, vouchers, bonuses or systems.

Our business involves the storage and transmission of customers' personal information, consumer preferences and credit card information, as well as confidential information about our employees, our suppliers and our own business. For example, we collect and store certain customer data using our Douglas Beauty Card / Nocibé Card, including personal information and information regarding our customers' preferences and purchasing patterns. While we believe we employ industry-standard methods for data protection, our information systems have faced in the past, and may face in the future, cyber-attacks, and are vulnerable to an increasing threat of continually evolving cybersecurity risks, as cyber criminals develop new ways to gain unlawful access to protected information systems. Any significant compromise or breach of our data security, whether external or internal, or misuse of associate or customer data, could significantly damage our reputation, cause the disclosure of confidential customer, employee, supplier or business information, and result in significant costs, lost sales, fines and lawsuits. While we have implemented systems and processes to protect us against unauthorized access to or use of secure data and to prevent data loss, there can be no guarantee that these procedures are adequate to safeguard against all data security breaches or misuse of the data. Moreover, regulations related to information security, data collection and use, and privacy are becoming increasingly rigorous in the countries and regions in which we operate, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. See also *"We are subject to numerous laws and regulations with respect to private data protection and failure to comply with such laws and regulations, may result in litigation and administrative or arbitration proceedings and/or significantly damage our relationship with our customers; and we may also be adversely affected by changes in these laws and regulations."*

Moreover, we have a customer friendly returns policy and regularly offer gift articles in combination with the purchase of a certain product or brand or, in particular in our online shops, for purchases over a

certain amount. It cannot be excluded that, in the future, a growing number of customers may abuse our returns policy and, for example, return products bought from other retailers, or order from us with the sole purpose of retaining the gift articles while returning the purchased products.

Our failure to prevent the theft or misappropriation of customer data or to manage our returns policy could have a material adverse effect on our business, results of operations and financial position.

Fluctuations in currency exchange rates could have an adverse effect on our financial position.

In the last three financial years we generated our sales and purchased merchandise predominately in Euros and to a limited extent also in a number of non-Euro currencies, such as the Polish zloty, the Romanian leu, the Czech koruna, the Hungarian forint, the Croatian kuna, the Bulgarian lev and the Swiss franc. Our sales in countries where the Euro is the legal tender represented 90.2% of our total sales in the financial year 2019/2020. Due to the growth of our regional footprint, our SOP and adjustments as a result of COVID-19-related catch-up effects, we expect the share of our sales and costs in non-Euro currencies to increase. Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our non-Euro Group companies, which are denominated in the relevant national currency, predominantly in Polish zloty, since these positions must be converted into Euro in connection with the preparation of our consolidated financial statements. As a result, exchange losses may arise due to this conversion. As we have not entered into currency hedging contracts, exchange rate fluctuations may have a material adverse effect on our financial position.

Should we decide to enter into hedging arrangements in the future, we may not be able to adequately hedge against the currency risk on reasonable terms and the cost of hedging may increase. Furthermore, hedging counterparties may default on their obligations towards us due to lack of liquidity, operational failure, bankruptcy or for other reasons.

Our insurance coverage could prove inadequate.

We have comprehensive insurance policies in relation to a number of risks associated with our business activities. However, our insurance coverage is subject to customary exclusions, limits and deductibles.

Given the diversity of locations and settings in which our employees provide services and the range of our activities, we may not be able to accurately foresee all relevant activities and situations in order to ensure that they are fully covered by the terms of our insurance policies. As a result, we may incur losses or be subject to claims that exceed the type, scope or amount of our existing insurance coverage. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, we have chosen not to purchase insurance cover. These risks include, for example, business interruptions caused by acts of terror, epidemics or pandemics.

If one or more claims exceed a certain aggregate amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. The COVID-19 pandemic has also placed significant upward price pressure on the market for director's and officer's insurance, as well as cyber insurance, which could lead to increased costs for our insurance coverage. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all.

Any of these developments could have a material adverse effect on our business, financial position and results of operations.

Many of our suppliers rely on credit insurance to protect their receivables, and any changes to, or too slow adjustments or withdrawals of, such credit insurance might cause suppliers to seek to reduce their credit exposure to us.

We believe that many of our suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their buyers, including us. Credit levels available to us from our suppliers remain dependent on the general economic environment, the credit insurer's risk policies and our financial position. If there is a significant decrease in the availability of credit insurance to our suppliers, or if an increase in credit levels is administered too slowly or such insurance is withdrawn in its entirety, and if such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to reduce their credit exposure to us, for example by seeking to change their credit terms vis-à-vis our Group by tightening payment terms or demanding advance payment.

Any such actions could have a material adverse effect on our working capital and cash positions, lead to an increase in our indebtedness or have a negative impact on our product offerings and, thus, on our sales. This could have a material adverse effect on our business, financial position and results of operations.

We present information relating to Management Adjusted EBITDA in this offering memorandum; the data used in calculating this information is unaudited and involves significant management estimates, assumptions and judgments, and accordingly you should not unduly rely on them.

The Management Adjusted EBITDA and related footnotes thereto presented in this offering memorandum are illustrative and presented for information purposes only. They are subject to significant management assumptions and estimates, have not been calculated based on our most recent 12 months of trading available and have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. See "Summary Historical Financial and Other Information" for more information.

The COVID-19 pandemic substantially impacted our business during the twelve months ended December 31, 2020, primarily due to the temporary closure of the majority of our stores for periods throughout 2020. We present Management Adjusted EBITDA to illustrate management's estimate of our recovery potential after the end of the COVID-19 pandemic, taking into account structural shifts that we have observed in our sales channels which we expect to continue, as well as store closures and the impact of our SOP and the impact of #ForwardOrganization.

This information does not represent the results that we would have achieved had the COVID-19 pandemic not occurred. We calculated Management Adjusted EBITDA using information derived from our unaudited management accounts, which include certain deviations from IFRS and adjustments, and applying significant management assumptions and estimates. The assumptions and management account data to derive the Management Adjusted EBITDA have not been, and cannot be, audited, reviewed or verified by any independent accounting firm, and do not constitute a measure of financial performance under IFRS. You should not consider Management Adjusted EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity, or as a historical performance measure at all. Other companies, including those in our industry, may calculate a similarly titled financial measure differently from us, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. Therefore, Management Adjusted EBITDA is inherently subject to risks and uncertainties and may not give an accurate or complete picture of our results of operations for any historical or future period, may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be unduly relied upon when making an investment decision.

Legal, Regulatory and Tax Risks

We are subject to numerous laws and regulations in the many jurisdictions in which we operate and may be adversely affected by changes in legislation and regulation.

We are confronted with differing legal, political, social, regulatory and economic conditions, as well as unforeseeable developments in the different jurisdictions in which we operate, including, among others, employment, accounting, customs, truth-in-advertising, consumer protection, general privacy, health, information privacy, identity theft, online privacy, IT and e-commerce, unsolicited commercial communication and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of products and the operation of retail stores and warehouse facilities. If these regulations were to change or were violated, for example, by our management, employees or franchisees, by the manufacturers of the products we sell or by our suppliers, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for the products that we sell and could have a material adverse effect on our business, financial position and results of operations.

In addition, the sale, distribution and marketing of certain products that we sell, in particular, cosmetic products, are highly regulated. For example, not only as a distributor, but especially with respect to certain of our own brand products, certain of our subsidiaries act as responsible persons for purposes of the European Cosmetic Products Regulation and may be subject to liability under this regulation. Furthermore, and irrespective of obligations under the European Cosmetic Products Regulation, as a distributor and as we import and market certain products under our (brand) name, we are subject to regulations regarding environmental law, food law (including food-related regulations and nutritional requirements), medical device law, product safety and product liability under which we are obliged, *inter alia*, to monitor that the products we offer comply with general safety requirements and must adopt the necessary measures to avoid any safety threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers to avoid being exposed to the risks of liability.

With regard to IT and e-commerce activities, frequent changes in both the legal and the technological developments increase the risk of non-compliance with legal demands, which could harm our reputation and could have a material adverse effect on our business, financial position and results of operations.

Failure to comply with any relevant rules and regulations or a delayed implementation of internal processes may result in licenses or authorizations required in connection with the relevant business areas being withdrawn or not being granted in the future, or may subject us to significant penalties or claims, and in some cases may even constitute a punishable offence, and significantly affect our ability to conduct our business, which could have a material adverse effect on our business, financial position and results of operations.

Legal requirements are frequently changing and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Failure to define clear roles and responsibilities or to regularly communicate with and train our employees or franchisees may result in noncompliance with applicable laws and regulations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business, which could have a material adverse effect on our business, financial position and results of operations.

In addition, we are indirectly affected by changes in the laws, regulations, administrative actions and policies with which suppliers of our products, in particular the manufacturers of our own brand products, as well as our marketplace partners must comply. For example, the formulation, manufacturing, packaging, labeling, distribution, sale and storage of our suppliers' products, our own brand products and our marketplace partners' products are subject to extensive consumer laws and regulations in different jurisdictions, which may change or develop over time in a way that could have a material adverse effect on our business, financial position and results of operations.

We are subject to numerous laws and regulations with respect to private data protection and failure to comply with such laws and regulations, may result in litigation and administrative or arbitration proceedings and/or significantly damage our relationship with our customers; and we may also be adversely affected by changes in these laws and regulations.

We are subject to local and international laws and regulations governing the collection, use, retention, sharing, otherwise processing and security of personal data. A failure to comply with applicable laws or regulations could have an adverse impact on our reputation and could lead to us becoming subject to penalties or claims, which could have a material adverse effect on our business and results of operations. The need to comply with data protection legislation is a significant controlling, operational and reputational risk which can affect us in a number of ways including, for example, making it more difficult to maintain and expand our marketing data, commercially utilize available data and also through potential litigation and governmental investigations relating to the alleged misuse of personal data. Regulation regarding data collection and data protection may also become stricter in the future. New laws, regulations or developments in this field and changes in consumer behavior could interfere with our strategies to use privacy-related information for our multi-channel marketing efforts and could also have an adverse effect on our business and results of operations.

Significant modifications in laws or regulations, as well as changes in the interpretation and enforcement practices of authorities concerning existing laws and regulations, in countries in which we operate may consequently lead to us incurring higher costs or having to change our business practices. Also, compliance will become more complex and involve higher costs and the increasing risk of non-compliance may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. For example, the EU General Data Protection Regulation (the "GDPR") on data privacy introduced substantial changes to the EU and local data protection regimes, involving replacement in Member States of major parts of the previous national data protection laws by a directly applicable EU regulation. Since the GDPR came into effect on May 25, 2018, it has imposed a substantially higher compliance burden on our business. In addition, the regulation entails higher maximum level of fines than was historically the case for potential compliance failures. Given our increasing focus on the online segment of our business, we will have to adapt to any change in the legal environment with regards to data protection, which could lead to significant implementation costs.

There are also several initiatives pending aimed at establishing a single, uniform digital European market such as an e-privacy regulation or the proposed Digital Services Act and Digital Markets Act. We may also be indirectly affected by European Union court rulings. For example, the European Court of Justice (Fashion ID, C-40/17 and Planet 49, C-673/17) in 2018 and 2019 specified the treatment of internet tracking technologies and issued another judgment (Schrems II, C-311/18) in 2020 relating to European data protection laws, stating that the transfer of personal data into the United States cannot be based on the EU/US Privacy Shield framework. This ruling has an impact also on data transfers to any other third country within the meaning of the GDPR that does not provide a level of data protection equivalent to the EU, unless the EU Commission

adopted an adequacy decision for that third country outside the EEA. Overall, the European Court of Justice rulings may lead to us incurring higher costs or having to change our business practices in this respect.

In the past, some of our data has been, and in the future we are exposed to the risk that our data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations, by us or on our behalf. If we or any third-party service providers on which we may rely fail to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, we could face liability under data protection and IT security laws. This could also result in the loss of our customers' goodwill and deter new customers. The technical and organizational measures we have put in place to protect our data and for IT security may not be sufficient or modern enough to protect all our data at any given time or comply with any applicable legal requirements in their entirety, which may lead to a material adverse effect on our business, financial position and results of operations.

Our failure to comply with local and international laws governing personal data or if we fail to protect our data from being misappropriated could have a material adverse effect on our business, financial position and results of operations.

We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect to selective distribution contracts.

As a significant market participant in European premium beauty markets, we are subject to antitrust and competition laws and regulations. There can be no assurance that the introduction of new antitrust or competition laws in the jurisdictions that are relevant to our operations or the interpretation or enforcement of existing competition laws will not affect our business and operations in the future or will not restrain us from making acquisitions or expanding our business, in the event we wish to do so in the future.

Furthermore, the use of selective distribution contracts, i.e., contracts that require formal approval of the supplier for the product to be listed and which limit the sale of fragrance products almost exclusively to "selected" distributors, is critical to our current business model. Selective distribution currently benefits from a specific legal framework (see also "Regulation on Selective Distribution Systems") provided by Art. 101 (1) TFEU, and specific national laws prohibit agreements which have an anticompetitive objective or restrictive effects on competition, unless such agreements fall under EU Regulation No. 330/2010 (Vertical Block Exemption Regulation) or individual exemptions pursuant to Art. 101 (3) TFEU. Such exemption requires, among other things, that the market share of both the supplier and the authorized distributor does not exceed 30% and respective agreements do not contain so-called "hard core" restrictions of competition. In the context of selective distribution systems, resale price maintenance, restrictions of active or passive sales to end consumers as well as restrictions of cross-supplies between authorized distributors constitute such "hard core" restrictions.

The above exemption under Regulation (EU) No 330/2010 is scheduled to expire in May 2022. The European Commission plans to issue a revised version of the regulation and has launched a public consultation on possible amendments, but the outcome of consultations and any amendments cannot be certain. The terms and conditions of such agreements must be individually reviewed on a case-by-case basis.

Contractual clauses violating European competition law are void, which may also affect the remainder of agreements entered into while the current block exemptions were in force. Furthermore, in such instances, the relevant competition authorities may initiate proceedings against the parties to such anticompetitive agreements, and substantial fines can be imposed.

However, following changes in the applicable laws, regulations, case law or the application thereof by competition authorities, other distribution channels may begin selling products (or increasingly sell products) that currently generate the majority of our sales and this may lead to a significant increase in competition, potentially requiring us to cut our profit margins in order to remain competitive which could have a material adverse effect on our business, financial position and results of operations.

European competition law prohibits the abuse of a dominant position. An infringement of Art 102 TFEU requires that the relevant undertaking is dominant on the relevant market and is abusing this dominant position.

We are or may become involved in litigation and administrative or arbitration proceedings, which may adversely affect our financial position.

We may become involved in litigation, administrative and arbitration proceedings, such as labor-related litigation, intellectual property litigation or litigation or arbitration proceedings with our customers,

suppliers or franchisees as part of our ordinary business activities. For example, even if we strive to limit the risk of warranty claims for product defects or from product liability claims by including recourse clauses in our agreements with suppliers and with manufacturers, we may be exposed to such claims and, in the event that the supplier is financially unable to respond for the damage or should our insurance not cover the claims asserted against us adequately or at all, we may have to bear the costs related to the product liability, which could have a material adverse effect on our business, financial position and results of operations.

Any such proceedings, even if we are successful, could divert management resources, incur certain expenses and cause damage to our reputation. The involvement in any such litigation, administrative and arbitration proceedings as well as the outcome of such litigation and proceedings, which cannot be predicted and may not be in accordance with our assessments, may have a material adverse effect on our business, financial position and results of operations.

We are currently subject to several pending litigation proceedings. For example, the Senior Secured Notes Issuer is party to legal proceedings pending in the Dortmund District Court ("Landgericht") where several former minority shareholders are requesting an adjustment of the compensation in connection with the squeeze-out of the minority shareholders of Douglas Holding AG (merged into the Senior Secured Notes Issuer) in connection with a take-private transaction under prior ownership, which became effective in July 2013. To cover risks associated with these proceedings we have presented a provision of €12.7 million in the financial year 2019/2020, which was recognized in prior years.

If we are unsuccessful in defending any current or future claims, we may incur liabilities in excess of the reserved amounts. This could have a material adverse effect on our business, financial position and results of operations.

If we and/or our suppliers are unable to protect our and/or their respective intellectual property rights, in particular trademarks and key domain names, our ability to compete could be adversely affected.

The market for the products and services that we offer depends to a significant extent upon the value associated with their respective brands. Therefore, our commercial success depends on our and our suppliers' ability to successfully defend our and their intellectual property, including trademarks, know-how, customer lists and domain names, including the ability of franchised stores to operate in a manner consistent with our required standards and guidelines in this area.

In particular, we own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies in our Group and by franchisees, domain names, and some design rights. In particular, the trademarks that protect the brand "Douglas" (including the new Douglas logo) as well as the trademark "Nocibé" are of key importance to us. Furthermore, we use some smaller local (sub-) brands or company symbols to differentiate our offering and address different target groups. With respect to several of the registered trademarks, we have entered into co-existence agreements and prior rights agreements for specific countries or situations. Regarding domain names, in particular "douglas.de", and the top-level domains for other countries, in particular those in which we operate an online shop, play an important role in our business operations. Our own brand products are manufactured by third parties and thus while we own the brand, labelling and in some cases, the product design of such products, we do not own their underlying recipes or formulas.

We expect to continue to file further trademark applications seeking to protect selected newly-developed brands or products or apply for registration of existing brands or products in other relevant jurisdictions, but we cannot be sure that trademark registrations will be issued. There is also a risk that we could, by omission, fail to renew a trademark (or design or domain) on a timely basis or fail to pursue our brand monitoring. Moreover, there is the risk that our competitors may challenge, invalidate, dilute or circumvent any existing or future trademarks issued to, or licensed by, us. In addition, even though a trademark has been duly registered, under local regulation the fact that a trademark is not used for a certain period of time (such as five years in the European Union) may render the trademark registration voidable. Moreover, earlier rights (such as a pre-existing right to a name, copyrights and other industrial property rights) may prevail over the registration of the trademark. With respect to domain names, these are generally regulated by internet regulatory bodies and may also be subject to trademark laws and other related laws of each country.

If we do not have or cannot obtain or maintain on reasonable terms the ability to use our "Douglas" or "Nocibé" trademarks, or any other significant brand in a particular country, or to use or register "Douglas" for a certain domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country. Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current brands. In addition, we may not be

able to prevent third parties from registering, using or retaining domain names that interfere with our customer communications or infringe or otherwise decrease the value of our trademarks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we may not be able to register, use or maintain the domain names that utilize the name “Douglas” or “Nocibé” in all of the countries in which we currently conduct business or intend to conduct business in the future.

Furthermore, there can be no assurance we will be able to adequately or sufficiently prevent infringement or misappropriation of our portfolio of intellectual property by third parties, and we may be subject to disputes relating to our logos and branding. If any of these events occur, our ability to compete may be adversely affected.

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

We may infringe intellectual property rights of third parties and be liable for damages and litigation costs.

Our store format, web presence (including advertising activities and marketplace), IT structure and our designs (e.g., relating to our own brands and other products), among others, may violate intellectual property rights of third parties. If we are perceived to have adopted trends or designs developed by competitors or to have exceeded our contractual or statutory usage rights regarding IP (e.g., copyrights regarding software and applications used by us or trademark rights regarding the products presented by us), we may become subject to claims alleging that we have violated the intellectual property rights of third parties, which could have a material adverse effect on our business, financial position and results of operations. We may be prevented by third parties from using, sourcing or marketing certain designs and ideas. If we violate a third party’s rights, we may be liable for damages as well as litigation costs. This may reduce sales and, damage our reputation, any of which could have a material adverse effect on our business, financial position and results of operations.

We use standardized sales, purchase and supply agreements, as well as standardized terms and conditions, which increase the potential that all contract terms used therein may be invalid or unenforceable if any clause is held to be void.

We entertain legal relationships with a large number of persons, primarily customers, suppliers, manufacturers of our own brands and similar products and our employees. In this context we also use standardized documents, standard-form contracts and standardized terms and conditions. If such documents, contracts or terms and conditions turn out to contain provisions that are disadvantageous to us or if clauses in such documents or contracts are declared invalid and thus displaced by statutory provisions which are unfavorable to us, a large number of standardized documents, contracts or terms and conditions could be affected, which could have a material adverse effect on our business, financial position and results of operations.

Additionally, standardized contractual terms in the countries in which we operate are subject to rigid fairness controls by the courts regarding their content and the way they, or legal concepts described therein, are presented to the other contractual party by the person using them. The standard is even stricter if they are used *vis-à-vis* consumers, which the vast majority of our customers are. As a general rule, standardized terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to the frequent changes to the legal framework, particularly with regard to court decisions relating to individual general terms and conditions, we cannot fully protect ourselves against risks arising from the use of such standardized contractual terms. Even if documents, contracts and terms and conditions are prepared with legal advice, it is not possible to avoid all potential risks from the outset or in the future, as the changes may continue to occur in the legal framework, particularly through case law. A change in the applicable legal framework could have a material adverse effect on our business, financial position and results of operations.

We are subject to tax risks, and our tax burden could increase due to changes in tax laws, such laws’ application or interpretation, or as a result of current or future tax audits.

Our tax burden is dependent on certain aspects of the tax laws across several different jurisdictions and their application and interpretation. Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase our future tax burden. As a result of current or future tax audits or other review actions by the relevant financial or tax authorities, our internal tax assessments, including our interpretation and application of tax laws, could be revised and/or additional taxes, including interest and penalty payments or social security payments, could be assessed in relation to future or previous tax assessment periods which could lead to an increase in our tax obligations, either as a result of the relevant

tax payment being assessed directly against us or as a result of our becoming liable for the relevant tax as a secondary obligor due to the primary obligor's (such as, for example, an employee) failure to pay. This may be due to an interpretation or view of laws and/or facts by tax authorities in a manner deviating from our view.

Due to our international focus, we are exposed to tax risks, in particular with regard to transfer pricing rules that apply in several jurisdictions and in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. The possibility that the tax authorities will challenge our compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows.

We are subject to tax audits by the respective tax authorities on a regular basis. Tax audits in Germany relating to financial year 2010 to financial year 2015 have been completed, but the reports have not yet been announced. We expect to pay taxes (including interest) of €28.0 million in this calendar year. Therefore, provisions for taxes of €28.0 million exist as of December 31, 2020. A new tax audit for financial year 2016 to financial year 2019 in Germany has been started, but no findings have been announced as of the date of this offering memorandum. A tax audit for financial year 2014 to financial year 2016 in France is completed but in litigation. We expect a tax (also CVAE) payment of €10.1 million in April 2021. This amount is accrued as of December 31, 2020. We have already successfully appealed against another tax audit issue in France before the National Tax Commission. If the FTA does not follow the view of the National Tax Commission, we expect a tax payment of €11.8 million in this fiscal year. In the event that this occurs, we plan to take legal action. For Italy, no tax audit is currently ongoing, but a risk exists in connection with past tax audits, currently pending on the Regional/District tax court. Provisions of €5.8 million have been accrued as of December 31, 2020, in line with our internal estimations.

As a result of current or future tax audits or other reviews by the tax authorities, additional taxes (including withholding taxes, real estate transfer tax, capital duty and stamp duty) could be assessed on us or tax losses carried forward as well as interest expenses carried forward for purposes of the German interest stripping rules could be reduced, which could lead to an increase in our tax obligations and thus have a material adverse effect on our financial position.

Our corporate structure has been, and may be in the future, subject to reorganization measures (for example, transfer of subsidiaries, carve-outs or mergers including the Post-Closing Reorganization). We may not be aware of a certain tax issue or that the tax authorities will question some or all of the positions that we have taken and, consequently, additional taxes may be assessed or tax assets be challenged. Furthermore, due to our international operations, we are exposed to risks arising from the application of international tax concepts used for the purpose of allocating taxing rights between countries, for example the concept of permanent establishment as used, *inter alia*, in OECD model treaties. In particular, our business activities outside Germany might inadvertently trigger taxing rights of foreign countries (e.g., due to a representative's permanent establishment), leading to additional tax burdens for us.

VAT rates could increase in the future in the countries in which we operate. If we do not increase the prices of the products that we sell to match the increase in VAT, our profitability margins will be negatively impacted. If we pass the increase in VAT on to our customers by raising the prices of the products that we sell, the demand for such products may decline, which could materially and adversely affect our business, financial position and results of operations. The announcement of a future decrease in VAT rates may also adversely affect our results as customers could delay making purchases until the decrease in VAT has occurred. Furthermore, we face VAT risks arising out of the operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

Any imposition of tax liability, adverse tax rulings or the result of tax audits could have a material adverse effect on our business, financial position and results of operations.

Compliance breaches could result in investigations by the relevant authorities, fines, additional payments of tax, damage claims, payment claims, the termination of relationships with customers or suppliers and reputational damage.

As of December 31, 2020, we operated in 26 European countries with over 2,300 stores (including 141 franchised stores) in 20 countries and online shops in 24 countries. We had an average number of employees of 21,016 (salaried employees and excluding apprentices) in the financial year 2019/2020. Although we mainly operate within the European Union, some countries may have less stable political, legal and regulatory regimes, as well as inconsistent enforcement of laws and regulations. Moreover, we have limited influence over the day-to-day operations of our franchised stores (primarily in France), as well as our

suppliers. This inherently creates a risk that applicable legislation and regulations may be breached. Such behavior could lead to further legal proceedings against us, fines, sanctions, additional tax liability, court orders affecting future conduct, forfeiture of profits, rescission of existing contracts, exclusion from certain businesses, loss of trade licenses or other restrictions, which, in turn, might limit our ability to pursue strategic projects and transactions that may be important for the business and which could have a material adverse effect on our business, financial position and results of operations.

There is a risk that our employees may not act in compliance with applicable statutory provisions (including antitrust regulation, anti-money laundering, anti-corruption legislation as well as data protection laws) and internal guidelines or may commit fraud, theft or abuse of our resources including misappropriation of loyalty points and gift vouchers. As a result, we may face the risk that penalties or liabilities may be imposed on us, or our business may be adversely affected as a result of such non-compliance. Thus, our corporate governance system and monitoring capabilities may not be sufficient to prevent violations of any applicable legal provisions, and our internal guidelines, such as the separation of duties, our “4-eyes-principle” or the specification of duties and responsibilities, may not be able to identify past violations or prevent damages from fraud or similar crimes within the Group.

Furthermore, involvement in potential non-compliance proceedings and investigations could harm our reputation and that of our management, lead to the loss of customers and have a negative impact on efforts to compete for new customers. Customers and/or third parties could also initiate legal proceedings against us for substantial financial sums.

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

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 Note Guarantees.

We currently have, and after the Transaction (including the issuance of the Notes) will have, a significant amount of outstanding debt with substantial debt service requirements. As of December 31, 2020, after giving effect to the Transaction and the application of the proceeds therefrom, we would have had external borrowings of €2,382.1 million, including €1,080 million drawn under the Term Loan B Facility. The terms of each of the Senior Secured Facilities Agreement and the Indentures will allow us to incur substantial additional indebtedness, including in respect of committed borrowings of up to €170.0 million under the Revolving Credit Facility. The degree to which we will be leveraged following the issuance of the Notes could have important consequences to holders of the Notes in this offering, 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 or raise equity capital in the future to fund future operations, capital expenditures, business opportunities, acquisitions 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.

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 Senior Secured Notes Indenture and the Senior PIK Notes Indenture 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 TopCo or its restricted subsidiaries (in respect of the Senior Secured Notes Indenture) and the shares of the Senior PIK Notes Issuer, TopCo or the restricted subsidiaries (in respect of the Senior PIK Notes Indenture);
- 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 applicable Issuer;
- 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 relevant Notes.

All these limitations will be subject to significant exceptions and qualifications. See *"Description of the 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, we will be subject to the affirmative and negative covenants contained in the Senior Secured Facilities Agreement. In particular, the Senior Secured Facilities Agreement requires us to maintain a specified financial ratio if cash drawings under the revolving credit facility are more than 40% of the total revolving credit facility commitments on a financial quarter end date. Our ability to meet this financial ratio can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of those covenants or restrictions could result in an event of default under our Senior Secured Facilities Agreement. Upon the occurrence of any event of default under our Senior Secured 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 Secured Facilities, together with accrued interest, immediately due and payable. In addition, any default or acceleration under the Senior Secured 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. If our creditors, including the creditors under our Senior Secured Facilities Agreement, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Senior Secured Notes or the Senior PIK 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 Secured Facilities and our obligations under the Senior Secured Notes and the Senior PIK 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. Our Senior Secured Facilities Agreement provides for a term loan facility which will mature in 2026. The Senior Secured Notes and the Senior PIK Notes will mature in 2026. See *"Description of Certain Financing Arrangements," "Description of the Senior Secured Notes"* and *"Description of the Senior PIK Notes."* At the maturity of these loans, the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or

we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business 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.

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

In addition, any failure to make payments of interest or principal on our outstanding debt on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional debt. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our debt, including under the Indentures, restrict our ability to transfer or sell assets. We may not be able to consummate certain dispositions or obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet our debt service obligations then due. In addition, the terms of our debt, including the Senior Secured Notes, the Senior PIK Notes, the Indentures, and the Senior Secured Facilities Agreement limit, or will limit, and any future debt may limit, our ability to pursue any of these alternatives.

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. 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. In addition, such debt could be incurred on a basis senior to the guarantees of the Senior PIK Notes. Although the Senior Secured Facilities Agreement and the Indenture 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 Secured Facilities and the Indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

The loans under our Senior Secured Facilities Agreement bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The loans under our Senior Secured Facilities Agreement bear interest at floating rates of interest per annum equal to LIBOR or EURIBOR (subject to a zero floor), as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. Although we may 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.

Changes in, or uncertainty relating to, the EURIBOR and LIBOR calculation process may adversely affect the interest paid on the Senior Secured Facilities.

The Senior Secured Facilities will bear interest at interest rates based on EURIBOR or LIBOR (depending on whether a loan under those facilities is denominated in euro or sterling), which are deemed to be "benchmarks" and have been the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted.

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

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

The UK Financial Conduct Authority announced on March 5, 2021, that the publication of LIBOR will cease with effect from December 31, 2021, and it will cease to compel panel banks to submit LIBOR submissions. Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high-level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

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

Any interest rate hedging agreements that we enter into may expose us to counterparty risks and potential losses if our counterparties fall into bankruptcy.

We may enter into interest rate hedging agreements to hedge a portion of our exposure to fluctuations in interest rates, primarily under the Senior Secured Facilities. Under any such agreements, we would be exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under any such 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.

Risks Related to the Notes

Under the terms of the Intercreditor Agreement, holders of the Notes may not control certain decisions regarding the collateral.

The Senior Secured Notes will be secured by the same collateral securing our obligations under our Senior Secured Facilities Agreement and certain hedging obligations, other than security provided by subsidiaries of the Senior Secured Notes Issuer incorporated in France and Italy, which will only secure the Senior Secured Facilities. Furthermore, under the terms of the Indentures and Senior Secured Facilities Agreement, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same collateral.

Prior to the Term Loan Refinancing Date

Prior to the date upon which any outstanding term facility indebtedness under the Senior Secured Facilities Agreement and any second lien facility agreement is repaid in full and the only loan financing we have outstanding is revolving facility debt (including the Revolving Credit Facility) (the “Term Loan Refinancing Date”) and subject to certain limited exceptions, the Security Agent will act with respect to the collateral only at the direction of a simple majority of more than 50% of our senior secured creditors (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Secured Facilities Agreement, debt in

respect of certain hedging obligations and debt under the Senior Secured Notes but excluding cash management providers). Upon issuance of the Senior Secured Notes, the lenders under the Senior Secured Facilities Agreement will, together, hold a higher percentage of the total senior secured credit participations than the holders of the Senior Secured Notes. In addition, we will be able to incur significant additional indebtedness and other obligations (including hedging obligations) that may be secured by the same collateral, and, following the incurrence of such additional indebtedness, the holders of the Senior Secured Notes may further be diluted in relation to being able to control enforcement of the collateral. If the majority senior secured creditors do not instruct the Security Agent to enforce, or instruct the Security Agent to cease enforcing, the transaction security then, in certain cases, creditors holding more than 50% of the total second lien creditor participations may instruct the Security Agent to enforce.

The holders of the Senior Secured Notes will not have separate rights to enforce the collateral. As a result, the holders of the Senior Secured Notes will not be able to instruct the Security Agent, force a sale of collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, if any amounts under any other senior secured debt (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Secured Facilities Agreement, debt in respect of certain hedging obligations and debt under the Senior Secured Notes but excluding cash management providers) remain outstanding in an amount equal to or greater than 50% of the aggregate principal amount of the total senior secured debt.

Disputes may occur between the holders of the Senior Secured Notes and creditors under our Senior Secured Facilities (and/or other secured creditors) as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the collateral. In such an event, the holders of the Senior Secured Notes will be bound by any decision of the Instructing Group (as defined in *"Description of Certain Financing Transactions—Intercreditor Agreement—Restriction on Enforcement: Senior Lenders and Senior Secured Noteholders"*) which may result in enforcement action in respect of the collateral, whether or not such action is approved by the holders of the Senior Secured Notes or may be adverse to such holders. The creditors under our Senior Secured Facilities Agreement (and any of our other secured creditors) may have interests that are different from the interests of holders of the Senior Secured Notes and they may elect to pursue their remedies under the Security Documents at a time when it would otherwise be disadvantageous for the holders of the Senior Secured Notes to do so.

In addition, if the Security Agent sells collateral (other than collateral that only secures the Senior PIK Notes) as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Senior Secured Notes and the Senior Secured Notes Guarantees and the liens over any other assets securing the Senior Secured Notes and the Senior Secured Notes Guarantees may be released. See *"Description of Certain Financing Transactions—Intercreditor Agreement"* and *"Description of the Senior Secured Notes—Security—Release of Liens"*.

Furthermore, the Intercreditor Agreement includes "snooze/lose" provisions pursuant to which, if the holders of the Senior Secured Notes fail to respond to a request for consent in relation to any of the terms of the Intercreditor Agreement, or a request to participate in any other vote or approve any other action under the terms of the Intercreditor Agreement, or fails to provide details of its senior secured credit participations to the Security Agent (or any other confirmation or notification) within the timescale specified by the Security Agent, its credit participation may be deemed zero, or its vote may be disregarded.

On and After the Term Loan Refinancing Date

On and after the Term Loan Refinancing Date, in general, the creditor representatives representing the Senior Creditors (as defined in *"Description of Certain Financing Transactions—Intercreditor Agreement"*) whose senior credit participations (representing, on and after the Term Loan Refinancing Date, liabilities with super priority status) aggregate more than 50% of the total senior credit participations (being the Majority Senior Creditors (as defined in *"Description of Certain Financing Transactions—Intercreditor Agreement—Restrictions on Enforcement: Senior Lenders and Senior Secured Noteholders"*) and the creditor representatives representing the Senior Secured Noteholders and Pari Passu Hedge Counterparties (each as defined in *"Description of Certain Financing Transactions—Intercreditor Agreement—Restrictions on Enforcement: Senior Lenders and Senior Secured Noteholders"*) whose *pari passu* credit participations aggregate more than 50% of the total Pari Passu Credit Participations at that time (being the "Majority Pari Passu Creditors" as defined in *"Description of Certain Financing Transactions—Intercreditor Agreement—Restrictions on Enforcement: Senior Lenders and Senior Secured Noteholders"*)), may provide enforcement instructions to the Security Agent to enforce the collateral.

The Intercreditor Agreement provides that, in general, the instructions of the Majority Pari Passu Creditors will prevail. However, if (i) within three months of the date of the Initial Enforcement Notice, the Majority Pari Passu Creditors have not either: (A) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue or (B) appointed a Financial Adviser to assist them in making such

a determination; or (ii) the Super Senior Discharge Date has not occurred within six months of the Initial Enforcement Notice; or (iii) the Majority Pari Passu Creditors have not either: (A) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue or (B) appointed a Financial Adviser to assist them in making such a determination, and in either case, the Majority Senior Creditors determine in good faith that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a distressed disposal or on the expected realized proceeds of enforcement and deliver enforcement instructions to the Security Agent which they reasonably believe are necessary or advisable in enhancing the prospects of achieving a prompt and expeditious realization of the value of the collateral; or (iv) an Insolvency Event is continuing with respect to a Debtor (each as defined in "*Description of Certain Financing Transactions—Intercreditor Agreement—Restrictions on Enforcement: Senior Lenders and Senior Secured Noteholders*"), then the Security Agent will act in accordance with enforcement instructions received from the Majority Senior Creditors until the occurrence of the Super Senior Discharge Date.

During the period on and after the Term Loan Refinancing Date, the Senior Creditors (as defined in "*Description of Certain Financing Transactions—Intercreditor Agreement*") shall receive proceeds from the enforcement of collateral and certain distressed disposals of assets in priority to holders of the Senior Secured Notes and may otherwise have interests that are different from the interests of holders of the Senior Secured Notes. As a result, the Senior Creditors may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time or in a manner that would be disadvantageous for the holders of the Senior Secured Notes.

In addition, as the Intercreditor Agreement provides that following the Term Loan Refinancing Date the Security Agent may be instructed by the Majority Pari Passu Creditors (which encompasses holders of over 50% of the aggregate credit participation of the Senior Secured Notes and other *pari passu* debt as well as certain hedging liabilities), holders of incremental *pari passu* debt may have a significant influence on the outcome of such instructions under the Intercreditor Agreement and such creditors may have interests that are different from the interest of the holders of the Senior Secured Notes. See "*Description of Certain Financing Transactions—Intercreditor Agreement*". If the majority senior creditors and/or Majority Pari Passu Creditors do not instruct the Security Agent to enforce, or instruct the Security Agent to cease enforcing, the transaction security then, in certain cases, creditors holding more than 50% of the total second lien creditor participations may instruct the Security Agent to enforce.

In any such a situation, your ability to recover on the Senior Secured Notes could be materially impaired.

Certain debt that we incur in the future may be entitled to be repaid with the proceeds of the collateral securing the Senior Secured Notes in priority to the Senior Secured Notes.

The Indentures and the Intercreditor Agreement will permit, (i) debt incurred in connection with a government support scheme or other state-backed financing arrangement up to a certain limit and (ii) following a complete refinancing of the term loans under the Senior Secured Facilities, any term loans incurred under any other senior secured facilities agreement and any term loans incurred under any second lien facilities agreement, certain debt incurred under the Senior Secured Facilities or other senior secured credit facilities, hedging obligations and cash management obligations to be designated as "super priority". Any such super priority debt would be secured by the same property and assets that secure the Senior Secured Notes. However, the liabilities under such super priority debt would have priority over amounts received from the sale of the collateral securing the Senior Secured Notes pursuant to an enforcement sale of such collateral. As such, in the event of enforcement of such collateral, you may not be able to recover on the collateral if the then-outstanding liabilities under such super priority debt are greater than the proceeds realized in such enforcement sale.

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, which collateral also secures the obligations under the Senior Secured Facilities Agreement, certain hedging and cash management obligations and, with respect to certain limited collateral, the Senior PIK Notes (on a second-priority basis). In addition, the Senior PIK Notes will be secured by the Senior PIK Notes Only Collateral, comprised of a first-security interest over the issued share capital of the Senior PIK Notes Issuer and any intercompany receivables owed by the Senior PIK Notes Issuer to LuxCo 3. Thus, most of our assets will not secure the Senior PIK Notes. The collateral may also secure additional debt to the extent permitted by the terms of the Senior Secured Facilities Agreement, the Indentures 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 Notes.

The value of the collateral and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, among others, the ability to sell the collateral in an orderly sale,

economic conditions where operations are located and the availability of buyers. The book value of the collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Similarly, 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 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.

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

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

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, under German law, the enforcement of a share pledge is subject to certain specific requirements according to German law. 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.

Furthermore, the security interests may be subject to certain limitations on enforcement or may be limited by applicable law or may be subject to certain defenses that may limit its validity or enforceability. In addition, while the relevant determination is complex and dependent on the facts and circumstances at the time of an insolvency, it is possible that the Proceeds Loan could be subject to equitable subordination risks under German insolvency law. Generally, under German mandatory law, the granting and enforcement of security and/or guarantees which secure indebtedness of a direct or indirect shareholder of a security grantor incorporated in Germany or of a subsidiary of any such shareholder in order to ensure the maintenance of share capital of a joint stock corporation (*Aktiengesellschaft*), limited liability company (*Gesellschaft mit beschränkter Haftung*) or a limited partnership (*Kommanditgesellschaft*) with a limited liability company as general partner is subject to certain statutory limitations. As a consequence, customary provisions are included in the Indentures, the Senior Secured Facilities Agreement and the Intercreditor Agreement which limit the enforceability of the respective guarantees (and corresponding security interests securing the relevant security provider's obligations under the relevant guarantees) addressing these statutory limitations and liability risks pursuant to section 43 paragraph 3 of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung—GmbHG*) or section 93 paragraph 3 number 6 of German Stock Corporation Act (*Aktiengesetz—AktG*).

You may be required to pay a “soulte” in the event you decide to enforce the pledges over shares of French companies by judicial or contractual foreclosure of the collateral consisting of shares rather than by a sale of such collateral in a public auction. Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default and may only secure up to the secured amount which is due and remaining unpaid.

Under French law, pledges over assets may generally be enforced at the option of the secured creditors either (i) pursuant to a judicial process (x) by way of a sale of the pledged assets in a public auction (the proceeds of the sale being paid to the secured creditors) or (y) by way of the judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) by way of contractual foreclosure (*pacte comissoire*) of the pledged assets to the secured creditors, following which the secured creditors become the legal owner of the pledged assets.

Enforcement by way of private sale may not be agreed at the time of granting of the security, and therefore, holders of the Notes will not benefit from such enforcement method. If the secured creditors chose 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 assets. Such value is determined either by the judge in the context of a judicial foreclosure or by a pre-contractually agreed expert in the context of a contractual foreclosure (*pacte comissoire*). In a proceeding regarding a judicial foreclosure (*attribution judiciaire*) or a contractual foreclosure (*pacte comissoire*), an expert is appointed to value the pledged assets and if the value of the pledged assets exceeds the amount of secured debt, the secured creditors may be required to pay the pledgor a "soulte" equal to the difference between the value of the pledged collateral and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the Collateral.

If the value of such pledged assets is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such pledged assets. Should a holder of the Notes decline to request the judicial or contractual foreclosure of the securities, an enforcement of the pledged assets could be undertaken through a public auction in accordance with applicable law. Since such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such auction might not reflect the value of our group as a going concern.

The enforcement of the Italian share pledge may also be subject to practical difficulties and/or delays (e.g., in relation to the endorsement of the relevant share certificates to any potential purchaser of the pledged shares lacking a sufficient co-operation by the pledgor and/or a director of the Italian company whose shares are pledged) and the risk of challenges during the sale process.

The granting of the Note Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Note Guarantees and security interests to secure the Senior Secured Notes or the Senior PIK Notes, as applicable, may create hardening or voidance periods for such Note Guarantees and security interests in certain jurisdictions. The granting of shared security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, because the Indentures permit the release and retaking of security granted in favor of the Senior Secured Notes or the Senior PIK Notes, as applicable, in certain circumstances, including in connection with the incurrence of future debt. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted, perfected, amended, confirmed, or recreated. At each such time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and Security Interests.*"

The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interests over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable. In addition, we intend to implement the Senior PIK Issuer Reorganization after the Issue Date and upon completion of the Post-Closing Mergers, which contemplates, among other steps, that KB A will replace LuxCo 3 as the new direct parent of the Senior PIK Notes Issuer and TopCo and subsequently, that the Senior PIK Notes Issuer will replace KB A as the new direct parent of TopCo. In connection with such steps, any security granted over the shares of the Senior PIK Notes Issuer and TopCo, as applicable, in favor of the Senior Secured Notes and the Senior PIK Notes, as applicable, may be released and retaken and thus may be subject to new hardening periods.

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 Note Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indentures will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing the Notes, except through the Senior Secured Notes Trustee or the Senior PIK Notes Trustee, as the case may be, which will (subject to the applicable provisions of the applicable Indenture) provide instructions to the Security Agent in respect of the collateral.

With respect to certain jurisdictions, including Germany (including, without limitation, with respect to accessory security (*akzessorische Sicherheiten*)), Poland and the Netherlands (with respect to the pledge of shares), due to the laws and other jurisprudence governing the creation and perfection of certain security

interests and enforceability of such security interests, the collateral will secure a so-called “parallel debt” obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations under the Notes directly (a “Parallel Debt”). The Parallel Debt is in the same amount and payable at the same time as the obligations of the applicable Issuer and the Guarantors under the Notes and the Note 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. Although the Security Agent will have, pursuant to the parallel debt, a claim against the applicable Issuer and the Guarantors for the full principal amount of the Notes and the Note Guarantees, 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.

Furthermore, with respect to accessory security (*akzessorische Sicherheiten*) governed by German law such as pledges over shares, partnership interests, receivables or bank accounts, the application of the future pledgee concept, whereby the Security Agent accepts a pledge not only as a representative of the current creditors, but also for future, yet unknown creditors for them to benefit from security interests created at an earlier point in time without the need to confirm the Collateral has not yet been tested in court and there are legal risks as to whether the application of such concept can validly ensure the creation of such (prior-ranking) security interests. Especially with respect to pledges over shares, the validity of which requires notarization under German law, some academics and public notaries reject the concept of the Security Agent representing future, yet unknown creditors or question at least the timing as to when such collateral is perfected.

In respect of the Security Documents governed by French law it should be noted that none of the Parallel Debt and trust mechanism constructs have been generally recognized by French courts and to the extent that the Notes or security interests created under the Parallel Debt and/or trust constructs are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the Guarantees or security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as beneficiary of the Parallel Debt. There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. September 13, 2011 no. 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.

In respect of the share pledge governed by Italian law, there is some uncertainty on the validity of security interests created in favour of an entity acting as trustee for the creditors or under “parallel debt” arrangements. Parallel Debt provisions would generally be deemed not applicable and the share pledge is created and perfected in favor of the Security Agent acting in its capacity as agent (*“mandatario con rappresentanza”*) of the Senior Secured Notes Trustee and the holders of the Notes. Therefore, considering that the holders of the Notes (i) are not expected to be direct parties to the relevant Italian law governed Security Document, (ii) may not be specifically identified therein or in the relevant share certificates and corporate documents or public registers and (iii) may change over time without any share pledge confirmation and extension deed being entered into from time to time, there is a risk that an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Italian law governed share pledge and/or cannot enforce that security.

To the extent that the security interests in the collateral created under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the collateral.

The 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 no 10-25533 *Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened 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.

Certain categories of property are excluded from the collateral and certain of our subsidiaries that provide guarantees and collateral for the benefit of the lenders under our Senior Secured Facilities Agreement will not provide such support for the benefit of the holders of the Notes.

Certain categories of assets are excluded from the collateral securing the Notes and the related Guarantees. For example, assets need only be pledged to the extent permitted by applicable law and if the cost to us of providing a security interest (or the perfection thereof) is proportionate to the benefit accruing to the holders of the Notes and other secured creditors. Asset security (other than certain intercompany loan receivables and bank account pledges) and the shares and assets of our non-Guarantor subsidiaries are not part of the Collateral securing the Notes. In addition, certain of our subsidiaries that provide guarantees and collateral for the benefit of the lenders under our Senior Secured Facilities Agreement will not provide such support for the benefit of the holders of the Notes. See "*Description of the Notes—Security*." The Notes will be effectively subordinated to any existing or future indebtedness that is secured by property and assets that do not secure the Notes on an equal basis to the extent of the value of such property and assets.

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

In certain jurisdictions, including, among others, the Netherlands and Germany, due to the laws and other jurisprudence governing the creation and perfection of certain security interests and enforceability of such security interests, the collateral will secure so-called "parallel debt" obligations created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations under the Notes directly. Finally, while our subsidiaries incorporated in France and Italy will provide guarantees and security for the benefit of the lenders under the Senior Secured Facilities Agreement, they will not provide any such credit support for the benefit of the holders of the Senior Secured Notes. In these cases, the parity of the Senior Secured Notes and the other obligations secured by senior-ranking security over the assets which are also subject to the collateral and the (indirect) right in the security interests 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 receive the benefit of the security interests and to implement parity among the noteholders and the other *pari passu* secured creditors. In the event that the Intercreditor Agreement does not relay the benefit of the security interests to the noteholders or does not ensure parity among the *pari passu* secured creditors on a contractual basis, the proceeds from the enforcement of the collateral will be applied first to the other obligations secured by senior-ranking security over the assets and may not be sufficient or not be applied *pari passu* to the obligations under the Senior Secured Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The rights of holders of the Senior PIK Notes to enforce remedies with respect to the Shared Collateral are limited as long as any senior secured debt is outstanding.

The security interests in the Shared Collateral securing the Senior PIK Notes and each Senior PIK Notes Guarantee granted by TopCo and any of its subsidiaries will rank behind the first-priority security interests in such collateral in favor of the creditors under the Senior Secured Facilities Agreement, the Senior Secured Notes, any additional senior secured creditors and in favor of institutions with whom we enter into certain hedging and cash management arrangements, any second lien facilities agreement we may enter into or any second lien notes we may issue. The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Senior Secured Facilities Agreement, the Senior Secured Notes, any second lien facility agreement, any second lien notes, the Senior PIK Notes and certain hedging and cash management 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 under the Senior Secured Facilities Agreement, holders of the Senior Secured Notes and certain hedging counterparties until amounts outstanding under such debt instruments are paid in full and discharged. Once these amounts have been fully paid and discharged, if any second lien facility agreement has been entered into or second lien notes have been issued by a member of the Restricted Group, the common security agent will, subject to certain exceptions, act at the direction of the relevant instructing group of creditors under such second lien facility agreement and/or holders of the second lien notes until amounts outstanding under such instruments have been paid in full and discharged. Until the expiration of a standstill period on enforcement of such security on behalf of holders of the Senior PIK Notes, first, the creditors under the Senior Secured Facilities Agreement, the Senior Secured Notes and certain hedging counterparties will have; and second, if any second lien facility agreement has been entered into or second lien notes have been issued, the creditors under the second lien facility agreement and second lien notes will have (in each case subject to certain limited exceptions) the exclusive right to make all decisions with respect to the exercise of remedies relating to such collateral. See

"Description of Certain Financing Arrangements–Intercreditor Agreement." As a result, the holders of the Senior PIK Notes will not be able to force a sale of such collateral, or otherwise independently pursue the remedies of a secured creditor under the relevant security documents until the expiration of the applicable standstill period for so long as any amounts under our Senior Secured Facilities Agreement, certain of our hedging and cash management arrangements, the Senior Secured Notes, any second lien facility agreement and any second lien notes remain outstanding. The creditors under our Senior Secured Facilities Agreement, certain hedging and cash management counterparties, the holders of the Senior Secured Notes, the creditors under any second lien facility agreement and the holders of any second lien notes may have interests that are different from the interests of holders of the Senior PIK 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 PIK Notes to do so. The holders of the Senior PIK Notes may be required to take certain action in respect of the insolvency and pre-insolvency or similar proceedings on the instructions of an instructing group and/or the security agent in respect of matters relating to the Shared Collateral. This may affect the ability of holders of the Senior PIK Notes to recover under the collateral if the proceeds from the collateral, after having satisfied obligations under our Senior Secured Facilities Agreement, certain of our hedging and cash management arrangements and the Senior Secured Notes and any other senior secured debt outstanding at the relevant time, any second lien facility and any second lien notes are less than the aggregate amount owed in respect of the Senior PIK Notes. In addition, if the creditors or the agent under our Senior Secured Facilities, certain hedging counterparties or the holders of the Senior Secured Notes or any other senior secured debt outstanding at the relevant time and/or, subject to the terms of enforcement under the Intercreditor Agreement, if any second lien facility agreement has been entered into or any second lien notes have been issued, the creditors under any second lien facility agreement and/or second lien notes cause the sale of the shares of the TopCo or the shares of any of its subsidiaries through an enforcement of their first-priority security interest, in accordance with the terms of the Intercreditor Agreement, the Senior PIK Notes Guarantees granted by TopCo and any of its subsidiaries and the liens over any other assets securing the Senior PIK Notes and each such Senior PIK Notes Guarantee may be released. See *"Description of Certain Financing Arrangements–Intercreditor Agreement"* and *"Description of the Senior PIK Notes–Security–Release of Liens."*

The ability of holders of Senior PIK Notes to recover under the pledge of the shares of TopCo and other security interests may be limited.

On the Issue Date, the obligations under the Senior PIK Notes and the Senior PIK Notes Guarantees will be secured by (i) a first-priority security interest over the "Senior PIK Notes Only Collateral" and (ii) a second-priority pledge over the Shared Collateral (including a pledge over the shares of TopCo). First-priority security interests over the Shared Collateral will be granted for the benefit of creditors in respect of Senior Secured Liabilities and second priority security interests over the Shared Collateral will be granted for the benefit of any creditors of any second lien liabilities, which in effect would cause holders of the Senior PIK Notes to receive proceeds realized from any enforcement of the Shared Collateral and any distressed disposals in respect of such Shared Collateral after creditors of such second lien liabilities. As a result, holders of the Senior PIK Notes may not be able to recover on the shares and other Shared Collateral that are also pledged or assigned as security for the Senior Secured Liabilities and/or the second lien liabilities because the creditors in respect thereof will have a prior claim on all proceeds realized from any enforcement of such pledges and other Shared Collateral and any distressed disposal with respect to such collateral, and the holders of the Senior PIK Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Senior PIK Notes. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the Senior Secured Liabilities and any second lien liabilities, any excess amount of such proceeds will be paid to the Senior PIK Notes Trustee on behalf of itself and the holders of the Senior PIK Notes, provided that such proceeds need to be shared with any other secured creditors ranking *pari passu* with the Senior PIK 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 PIK Notes, the holders of Senior PIK Notes will not fully recover (if at all) under such collateral.

In addition, the collateral may not be liquid, and its value to other parties may be less than its value to us. Likewise, we cannot assure you that there will be a market for the pledged shares or other collateral or that, if such market does exist, there will not be substantial delays in their liquidation. The shares of TopCo may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to TopCo because all of the obligations of TopCo (subject to the release mechanism in the Intercreditor Agreement) (including the Senior PIK Notes Guarantees) must be satisfied prior to distribution to the TopCo's equity holders. As a result, the holders of the Senior PIK Notes may not recover anything of value in the case of an enforcement sale of shares pledged in TopCo. In addition, the value of this collateral may fluctuate over time.

Pursuant to the Intercreditor Agreement, the Senior PIK Notes Trustee and holders of the Senior PIK Notes will (subject to certain limited exceptions) not be able to force a sale of the shared collateral securing the Senior PIK Notes or otherwise independently pursue the remedies of a secured creditor under the Security Documents relating to such Collateral for so long as any Senior Secured Liabilities and/or second lien liabilities

remain outstanding and, if the creditors in respect of the Senior Secured Liabilities and/or the second lien liabilities enforce their security, they will have priority over the holders of the Senior PIK Notes with respect to the proceeds from this collateral. See *"The rights of holders of the Senior PIK Notes to enforce remedies with respect to the Shared Collateral are limited as long as any senior secured debt is outstanding."* As such, holders of the Senior PIK Notes may not be able to recover on the collateral if the claims of the creditors in respect of the Senior Secured Liabilities and/or the second lien liabilities are greater than the proceeds realized from any enforcement of the collateral. In addition, if the creditors or the agent or the Senior Secured Notes Trustee under the Senior Secured Facilities, any Senior Debt, or the Senior Secured Notes (as applicable) or any creditors or the agent under any second lien facility agreement and/or second lien notes direct the sale of TopCo'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 PIK Notes and the Senior PIK Notes Guarantees may (subject to certain conditions) be automatically released. See *"Description of the Senior PIK Notes—Security—Release of Liens."*

The Senior PIK Notes Guarantees granted by TopCo and its subsidiaries will be subordinated to the existing and future senior debt of the Guarantors of the Senior PIK Notes and the Senior PIK Notes are subject to restrictions on payment and enforcement.

The Senior PIK Notes Guarantees granted by TopCo and its subsidiaries will be senior subordinated obligations of the Guarantors of the Senior PIK Notes and will:

- be subordinated in right of payment to all of such Guarantors' existing and future senior indebtedness, including any indebtedness under the Senior Secured Facilities Agreement, the Senior Secured Notes and any hedging and cash management obligations in respect thereof, any second lien facility agreement and any second lien notes which may be issued in the future;
- rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of the Guarantors;
- rank senior in right of payment to all existing and future indebtedness of the Guarantors that is expressly subordinated to the Senior PIK Notes; and
- be effectively subordinated to any existing and future indebtedness of the Guarantors that is secured by property or assets that do not secure the Senior PIK Notes, to the extent of the value of the property or assets securing such indebtedness.

In addition, no enforcement action with respect to the Senior PIK Notes Guarantees granted by TopCo and its subsidiaries (or any future senior subordinated guarantee of the Senior PIK Notes, if any) or any shared collateral granted in support of the Senior PIK Notes may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to senior debt or the second lien debt (provided the Senior PIK Notes Trustee and holders of the Senior PIK Notes will be limited to taking the same action); (ii) with respect to any enforcement action on a Guarantor, an insolvency event has occurred with respect to such Guarantor; (iii) there is a default on the Senior PIK Notes outstanding after a period of 179 days after the date on which the agent and/or Senior Secured Notes Trustee with respect to senior debt and the agent and/or second lien notes trustee with respect to second lien debt received written notice of such default; (iv) the senior secured creditors and the second lien creditors have given their consent to the proposed action. See *"Description of Certain Financing Arrangements—Intercreditor Agreement."*

In addition, the Intercreditor Agreement contains significant restrictions with respect to payments of the Senior PIK Notes, including payments by the Senior PIK Notes Issuer and any proceeds loan related thereto. If (i) there is a payment default under the Senior Secured Facilities Agreement, the Senior Secured Notes, any other senior facilities agreement or senior secured notes (if any) or any second lien facility agreement (if any) or second lien notes (if any), or if (ii) a payment stop notice is issued following an event of default other than non-payment under the Senior Secured Facilities Agreement, the Senior Secured Notes, any other senior facilities agreement or senior secured notes (if any), any second lien facility (if any) or any second lien notes (if any), then payments will not be permitted to be made in respect of the Senior PIK Notes, in the case of (i) while that payment default is continuing and, in the case of (ii) until the expiration of the applicable payment stop notice. In some circumstances, for instance where payments were received on the Senior PIK 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 PIK Notes are generally entitled to enforce their claims against the Senior PIK Notes Issuer pursuant to the terms of the Senior PIK 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 Secured Facilities and the Senior Secured Notes (and any second lien debt, if any) will secure the Senior PIK 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 PIK Notes Guarantee will be effectively subordinated to that Guarantor's obligations with respect to the Senior Secured Facilities Agreement and the Senior Secured Notes and any other indebtedness and obligations of the relevant Guarantor of the Senior PIK Notes that is secured by assets that do not also secure the Senior PIK 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 Guarantor of the Senior PIK Notes that has any such secured obligations, holders of such secured indebtedness will have prior claims to the assets of such Guarantor that constitute their collateral. To the extent the assets securing the Senior PIK Notes are not sufficient to repay all amounts owing in respect thereof, subject to the limitations referred to under the caption "*—Risks Related to Our Structure—Each Note 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 PIK Notes will participate ratably with all holders of the unsecured indebtedness of the relevant Guarantor of the Senior PIK Notes (other than indebtedness to which the Senior PIK Notes Guarantees have been expressly subordinated), and, 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 Guarantor of the Senior PIK Notes. In the event that any of the indebtedness of the relevant Guarantor of the Senior PIK Notes that is secured by assets that do not also secure the Senior PIK 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 PIK Notes Guarantee. As a result, holders of Senior PIK Notes may receive less, ratably, than holders of secured indebtedness of the relevant Guarantor of the Senior PIK Notes.

Enforcement of the Note Guarantees and collateral across multiple jurisdictions may be difficult.

The Note Guarantees and 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 Note Guarantees and 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 guarantees or security and to realize any recovery under the Notes, the Note Guarantees and the collateral. A summary description of certain aspects of the insolvency laws of 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 Note Guarantees and Security Interests.*"

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

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

The Senior Secured Notes may be issued with Original Issue Discount and holders may be required to recognize taxable income for U.S. federal income tax purposes in a taxable year in excess of cash payments on the Senior Secured Notes in the same taxable year.

The Senior Secured 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 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 the cash payment to which such income is attributable regardless

of such holders regular method of accounting for U.S. federal income tax purposes. See "*Certain Tax Consequences—Certain United States Federal Income Tax Considerations*" for a further discussion of the tax consideration with respect to the Notes.

The Senior PIK Notes will be issued with OID and holders of the Senior PIK Notes may be required to recognize taxable income for U.S. federal income tax purposes in a taxable year in excess of cash payments on the Senior PIK Notes in the same taxable year.

Because no portion of the stated interest on the Senior PIK Notes is unconditionally payable in cash at least annually, no stated interest payments on the Senior PIK Notes will be treated as qualified stated interest for U.S. federal income tax purposes. As a result, the Senior PIK Notes will be treated as issued with OID for U.S. federal income tax purposes in an amount equal to the excess of the total payments of principal and stated interest on the Notes over their issue price. Holders subject to U.S. federal income taxation generally will be required to include OID in gross income (as ordinary income) for U.S. federal income tax purposes as it accrues (on a constant yield to maturity basis), in advance of the receipt of cash attributable to that income, irrespective of their regular method of tax accounting. See "*Certain Tax Consequences—Certain United States Federal Income Tax Considerations—Senior PIK Notes*" for a further discussion of the tax consideration with respect to the Senior PIK 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.

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

The Notes will not initially benefit from guarantees and/or collateral from certain of our subsidiaries.

As of the Issue Date, the Notes will be guaranteed by the Issue Date Guarantors and will be secured by the Issue Date Collateral. On the date on which a Post-Closing Guarantor provides a guarantee of the Senior Secured Facilities (which is required under the Senior Secured Facilities Agreement to be provided no later than (a) in respect of the German and Dutch Post-Closing Guarantors, 30 days after the Issue Date and (b) in respect of the Polish Post-Closing Guarantors, within 90 days after the Issue Date), we will be required to take such necessary actions so that, consistent with the Senior Secured Facilities Agreement, the Notes will be guaranteed by the additional Senior Secured Notes Guarantees and Senior PIK Notes Guarantees (as applicable). In addition, on the date on which such Senior Secured Notes Post-Closing Collateral secures the Senior Secured Facilities (which is required under the Senior Secured Facilities Agreement to be provided no later than (a) in respect of German law and Dutch law governed Collateral, 30 days after the Issue Date; and (b) in respect of Polish, Italian and French law governed Collateral, 90 days after the Issue Date), we will be required to take such necessary actions so that, consistent with the Senior Secured Facilities Agreement, the Senior Secured Notes will be secured by collateral granted by the Post-Closing Guarantors, which will also secure the Senior Secured Facilities Agreement. There can, however, be no assurance that we will be successful in procuring such guarantees and liens within the time period specified.

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

The 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 relevant Notes below their stated coupon rates and could result in a loss to investors when the return on such Notes is translated into the currency by reference to which the investors measure the return on their investments.

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

Each of the Issuers and the Guarantors and their respective subsidiaries are organized outside the United States. The directors and executive officers of the Issuers and the Guarantors 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 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 Constitution (*Grundgesetz*), or other applicable law. If a judgment is obtained in a U.S. court against the Issuers or any Guarantor or a security provider, 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."

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed 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 relevant 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 Note Guarantees have not been registered under, and we are not obliged to register the Notes or the Note 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 Notes or the Note Guarantees, and do not have any intention to do so.

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

Application will be made to the Authority for the listing of the Notes on the Official List of the Exchange. There can be no assurance that the Notes will become or remain listed. If the Issuers cannot maintain the listing on the Exchange or if it becomes unduly burdensome to make or maintain such listing, the Issuers may cease to make or maintain such listing on the Official List of the Exchange. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Exchange or another recognized listing exchange for comparable issuers, failure to be approved for listing or the delisting of the Notes from the Official List of the Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market.

Risks Related to our Structure

The interests of our shareholders may conflict with the interests of the holders of the Notes.

The interest of our shareholders could conflict with the interests of investors in the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. The shareholders could cause us to pursue acquisitions or divestitures and other transactions or make large dividend payments (subject to limitations set forth in the Indenture) or other distributions or payments to them as the shareholders, even though such transactions may involve increased risk for the holders of the Notes. In addition, the shareholders may, in the future, own businesses that directly compete with ours. Furthermore, no assurance can be given that the shareholders will not sell all or any part of their respective shareholdings at any time nor that either of them will not look to reduce their respective holding by means of a sale to a strategic investor, an equity offering or otherwise.

In addition, in 2015, TopCo as parent entity entered into a profit and loss transfer agreement with the Parent as subsidiary and the Parent as parent entity entered into a profit and loss transfer agreement with the Senior Secured Notes Issuer as subsidiary. As a result of these profit and loss transfer agreements (the "PLTAs"), TopCo became the head of the tax group for German corporate income tax ("CIT") and trade tax ("TT") purposes for our Group (including TopCo). Pursuant to the PLTAs, the subsidiary must generally transfer its entire profits to the parent entity which in turn must compensate the subsidiary for any of the subsidiary's losses. As of December 31, 2020, the total amount of receivables owed by TopCo to the Senior Secured Notes Issuer and the Parent, amounted to €998.4 million. While we intend, as soon as reasonably possible after the Issue Date, to effect the Post-Closing Mergers, which upon completion, would terminate all intercompany liabilities between TopCo, the Parent and the Senior Secured Notes Issuer by operation of law, there can be no assurances that the Post-Closing Mergers will occur. TopCo is a holding company with limited business operations and depends upon the receipt of sufficient funds from its subsidiaries, which is comprised solely of the Parent, the Senior Secured Notes Issuer and the Senior Secured Notes Issuer's subsidiaries, to meet its obligations. While any liabilities owed by TopCo to the Senior Secured Notes Issuer and/or the Parent arising from the PLTAs can be settled in cash or in kind, should the Post-Closing Mergers not occur, any liabilities at TopCo would remain and TopCo's ability to settle such liabilities may be limited.

Should TopCo not complete the Post-Closing Mergers or otherwise settle the outstanding liabilities arising from the PLTAs, the German tax authorities might consider the PLTAs as not effectively performed. As a result, the tax effects of the tax group for German tax purposes would be disregarded which could result in an additional CIT and TT liabilities.

The Issuers are dependent upon cash flow from subsidiaries or other group entities to meet its obligations on the Notes and the Note Guarantees.

Each of the Issuers is a company with limited business operations and each depends upon the receipt of sufficient funds from its subsidiaries or other group entities to meet its obligations. In addition, prior to the completion of the Senior PIK Issuer Reorganization, the only significant asset of the Senior PIK Notes Issuer is the Proceeds Loan and thus the Senior PIK Notes Issuer will be dependent on payments from TopCo to make any cash payments due on the Senior PIK Notes. Furthermore, TopCo is a holding company that conducts no independent business operations and is thus in turn dependent upon the receipt of sufficient funds from its own subsidiaries to meet its obligations. It is the current intention to implement the Senior PIK Issuer Reorganization after the Issue Date, which, upon completion, will result in the Senior PIK Notes Issuer becoming the direct parent of TopCo. However, there can be no assurances that the Senior PIK Issuer Reorganization will be completed. Any failure to complete the Senior PIK Issuer Reorganization could lead to the Senior PIK Notes Issuer continuing to be a subsidiary of Luxco 3 with no subsidiaries and no significant assets other than the Proceeds Loan, which may adversely affect the ability of the Senior PIK Notes Issuer to meet its obligations on the Senior PIK Notes.

We intend to provide funds to the Senior Secured Issuer in order to meet the obligations on the Senior Secured Notes through a combination of payments under profit and loss pooling agreements, distributions and intercompany loans. If the payments under profit and loss pooling agreements, distributions and intercompany loans do not lead to sufficient cash payments to the Senior Secured Notes Issuer to make scheduled payments on the Senior Secured Notes, the Senior Secured Notes Issuer's ability 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 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 as loans or as payments under profit and loss pooling agreements, or even prevent such payments. In particular, the ability of the Senior Secured Notes Issuer's subsidiaries to pay dividends to the Senior Secured Notes Issuer will generally be limited to the amount of distributable current profit or distributable reserves available to them. Under German law, all dividends may only be distributed out of distributable current profits and distributable reserves, and interim dividend distributions are only possible to a limited extent under German law, subject to strict conditions. The subsidiaries of the Senior Secured Issuer that do not guarantee the Notes have no obligation to make payments with respect to either 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.

The Senior PIK Notes Issuer will have the discretion to pay interest on the Senior PIK Notes in PIK interest rather than cash for any interest period.

For any interest period, the Senior PIK Notes Issuer may elect, in its sole discretion, not to pay interest on the Senior PIK Notes in cash. In the event that the Senior PIK Notes Issuer elects not to pay cash interest, the Senior PIK Notes Issuer will pay interest on the Senior PIK Notes by increasing the principal amount of the global Senior PIK Notes or by issuing additional Senior PIK Notes as PIK interest. See "*Description of the Senior PIK Notes—Interest.*" Accordingly, we cannot assure you that the Senior PIK Notes Issuer will elect to pay cash interest. As a result, holders of the Senior PIK Notes could potentially receive no cash interest on the Senior PIK Notes for any interest period. The payment of PIK interest will increase the amount of the Senior PIK Notes Issuer's outstanding indebtedness and will accordingly increase the risks associated with the Senior PIK Notes Issuer's level of indebtedness.

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

Under various circumstances, the Note 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 PIK 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 applicable Indenture;
- in certain circumstances in connection with the transfer of the property or assets to a Restricted Subsidiary;
- upon payment in full of principal, interest and all other obligations of the Notes or defeasance or discharge of the Notes, as provided under *"Description of the Senior Secured Notes—Defeasance"*, *"Description of the Senior PIK Notes—Defeasance"*, *"Description of the Senior Secured Notes—Satisfaction and Discharge"* and *"Description of the Senior PIK Notes—Satisfaction and Discharge"*;
- if the secured obligations are exchanged, novated or terminated, a pledge or other accessory security interest created pursuant to a security document governed by German law might be released as a matter of German law;
- in connection with an IPO Debt Pushdown as described under *"Description of the Senior Secured Notes—IPO Debt Pushdown"* and *"Description of the Senior PIK Notes—IPO Debt Pushdown"*; 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 Note 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 or, where the Security Agent acting reasonably determines that the cash consideration payable under the highest of the bona fide and fully committed offers is less than the outstanding Senior Secured Liabilities, non-cash consideration may take the form of the Senior Secured Creditors (or any of them acting alone or together) bidding by the appropriate mechanic all or part of their Senior Secured Liabilities such that the Senior Secured Liabilities would, on completion, be discharged to the extent of an amount equal to the amount of the offer made by the relevant Senior Secured Creditors; ;
- (subject to exceptions including if there are no bona fide fully committed cash bids in excess of the Senior Secured Liabilities) to the extent there is a release of Note Guarantees or security granted for the benefit of the holders of Senior Secured Notes, concurrently with the discharge or release of the indebtedness of the disposed entities, including the creditors under the Senior Secured Facilities and holders of the Senior Secured Notes; and
- pursuant to a public auction or a competitive sale process which may (but does not have to be) approved or supervised by a court in which the Senior Unsecured Creditors are (subject to applicable law) entitled to participate as bidders or financiers, or if a fairness opinion has been obtained from an internationally recognized investment bank or accounting firm selected by the Security Agent (or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms, another third party professional firm which is regularly engaged in providing valuations of the relevant type of assets).

The Intercreditor Agreement also provides that if upon any additional indebtedness or refinancing of certain indebtedness, an amendment or waiver or release and re-grant of any transaction security document or senior unsecured only security document shall only be undertaken if required by the terms or conditions of such additional indebtedness or refinancing indebtedness or to the extent necessary under applicable law to reflect the ranking set out in the Intercreditor Agreement and (if legally possible and not commercially detrimental to do so and without breach of any term of the additional indebtedness or refinancing

indebtedness) where the liabilities in respect of such additional indebtedness or refinancing indebtedness are intended to be secured, the creditors in respect of such additional indebtedness or refinancing indebtedness shall be granted a second ranking or lesser security interest in the collateral and will nonetheless be treated under the Intercreditor Agreement (including for the purposes of the enforcement waterfall) as secured by the collateral *pari passu* with the other liabilities which would otherwise have the same ranking (including any collateral securing the Notes).

In addition, due to German mandatory law, security grantors may have a right to claim the release of certain collateral in case of a subsequent over-collateralization (where the value of security interest granted significantly and not only temporarily exceeds the amount of the secured obligations), or security interest can even be deemed void in case of an initial excessive over-collateralization. While the German Federal High Court (*Bundesgerichtshof*) does the calculation on a case by case basis, legal authors estimate that an initial over-collateralization is given if the realization value of the security exceeds the aggregate amount of secured claims by more than 50%. It is a factual question whether the security granted under the Collateral exceeds this limit.

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

The Notes and each of the Note 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 Note 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 Notes and each Note 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 at and for the twelve months ended December 31, 2020, the sales, Adjusted EBITDA and assets of members of the Group who are not the Senior Secured Notes Issuer and who are non-guarantors of the Senior Secured Notes represented 51.5%, 50.0% and 62.7% of the consolidated sales, consolidated Adjusted EBITDA and consolidated total assets of the Group, respectively.

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.

Under German law, the creation of a valid security interest under a German law governed pledge agreement is subject to a delivery of a notice of pledge by the Security Agent or the security provider to the pledged company or a third party (e.g., notice of pledge to the account bank in case of a pledge over bank accounts).

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, generally 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 comes into force for third parties earlier (by way of registration in the appropriate register or by notification) generally has priority.

Each Note 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 Guarantors will guarantee the payment of the Senior Secured Notes on a senior basis and the Senior PIK Notes on a senior subordinated basis. Each Note Guarantee will provide the relevant holders of the

Notes with a direct claim against the relevant Guarantor. However, each Indenture will provide for general limitation language to the effect that each Note 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 relevant Note Guarantee or security interest voidable or otherwise ineffective or causing personal or criminal liability of the representatives of the Guarantor or security provider under applicable law, and enforcement of each Note 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.

The Guarantors will be organized under the laws of Germany, the Netherlands and Poland. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Note Guarantees or the security interest granted under the Security Documents and, if payment had already been made under a Note 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 Note Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the relevant Note 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 Note Guarantee or security interest;
- the relevant Note Guarantee was entered into without a legal obligation to do so, is prejudicial to the interests of the other creditors and both the Guarantor and the beneficiary of the relevant Note Guarantee were aware of or should have been aware of the fact that it was still prejudicial to the other creditor;
- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the relevant Note Guarantee or security interest and the Guarantor or security provider was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee or Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; or
- the relevant Note 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.

In case of a Guarantor which is a (direct or indirect) subsidiary of the Senior Secured Notes Issuer and which is incorporated as a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under German law, 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 or assets necessary for it to meet its own payment obligations) would be applied by courts with respect to the enforcement of a Guarantee or a security interest granted by such Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero.

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.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, inter alia, the following aspects:

- a) an Italian court will not necessarily grant any specific enforcement, precautionary measures or remedy the availability of which is subject to equitable consideration or which is otherwise at the discretion of the Court;
- b) pursuant to Article 1241 and following of the Italian Civil Code concerning set-off of reciprocal obligations ("*compensazione*"), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;
- c) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- d) claims may become barred under statutes of limitation (*prescrizione* or *decadenza*) or may be or become subject to the defence of set-off or to counterclaim, including counterclaims related to counterparties' default (*eccezione di inadempimento*);
- e) the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence ("*colpa grave*"), willful misconduct ("*dolo*") or the violation of mandatory provisions;
- f) to the extent that any matter is expressed to be determined by future agreement or negotiation, the relevant provision may be unenforceable or void by reason of its uncertainty;
- g) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation; and
- h) a security interest does not prevent creditors of the relevant debtor, other than the grantee of such security interest, from seeking attachment or continuing enforcement or enforcement proceedings on the assets secured by the relevant security interest.

Trust and Security Agent

Under Italian law the beneficiary of a security interest must be clearly identified and indicated in the relevant security document. It is uncertain and untested in the Italian courts whether, under Italian law, a security interest 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 or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; (ii) in favor of a "trustee" on the basis that the recent Italian law provisions on "collateral agent" (as set out under Article 2414-bis of the Italian Civil Code) do not apply to the Senior Secured Notes Trustee or (iii) where the share pledge is created and perfected in favor of the Security Agent acting in its capacity as (A) joint and several creditor under "parallel debt" or similar arrangements or (B) agent ("*mandatario con rappresentanza*") of the holders of the Notes, considering that the holders of the Notes (x) are not expected to be direct parties to the relevant Italian law governed Security Document, (y) may not be specifically identified therein or in the relevant share certificates and corporate documents or public registers and (z) may change over time without any share pledge confirmation and extension deed being entered into from time to time. Therefore, there is a risk that an Italian court may determine that the holders of the Notes are not secured by the security under the Italian law governed share pledge and/or cannot enforce that security.

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

The insolvency laws of Germany and the respective jurisdictions of incorporation of 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.

Germany

The Issuers, TopCo and certain of its subsidiaries are organized under the laws of Germany, 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 Note Guarantees and Security Interests.*"

Other Countries

At least one Guarantor is incorporated under the laws of the Netherlands and Poland. Accordingly, law and insolvency proceedings for the respective Guarantor's country may apply with respect to such Guarantors. These laws may adversely affect the enforcement of your rights under the Notes and may not be as favorable to your interests as a creditor as under U.S. bankruptcy laws.

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

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in each Indenture 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 PIK Notes Issuer will be required to offer to repurchase all outstanding Senior PIK 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 relevant Issuer to pay the purchase price of the outstanding Senior Secured Notes or the Senior PIK Notes, as applicable, or that the restrictions in our Senior Secured Facilities Agreement, the Intercreditor Agreement or our other than 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 Secured Facilities Agreement and other indebtedness. The repurchase of the Senior Secured Notes or the Senior PIK Notes, as applicable, pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the applicable Issuer to receive cash from its subsidiaries or otherwise to allow them to pay cash to the holders of the Senior Secured Notes or the Senior PIK Notes, as applicable, 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 any of the Issuers for the purpose of repurchasing the Senior Secured Notes or the Senior PIK Notes, as applicable, we may seek the consent of the lenders under such indebtedness to the purchase of the Senior Secured Notes or the Senior PIK Notes, as applicable, 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 or the Senior PIK Notes, as applicable, 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 relevant Issuer to offer to purchase the Notes would constitute a default under the applicable Indenture, which would, if accelerated, constitute a default under the Senior Secured Facilities Agreement and certain other indebtedness. See *"Description of the Senior Secured Notes—Change of Control"* and *"Description of the Senior PIK 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 PIK Notes—Change of Control"*, each Indenture will not contain provisions that would require the relevant Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indentures will include a disposition of all or substantially all of the assets of the relevant Issuer, TopCo 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 assets of the relevant Issuer, TopCo 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 Issuers are required to make an offer to repurchase the relevant Notes.

In the event of an IPO Debt Pushdown, the Issuers may be replaced and certain Notes Guarantees and Collateral may be released without consent and holders of the Notes may face adverse tax consequences.

In connection with a public equity offering (an "IPO Event"), we may issue a notice to the Trustees (a "Pushdown Notice") requiring that, among other matters, the terms of the relevant Notes Documents shall operate with effect from the date specified in the relevant Pushdown Notice on the basis that references to the relevant Issuer, TopCo and Restricted Subsidiaries (and all related provisions) shall apply only to our Restricted Subsidiary or Parent Entity that will or has issued shares, or whose shares are to be or were sold, pursuant to that IPO Event (the "IPO Pushdown Entity") and its Restricted Subsidiaries from time to time, including that, while the Senior PIK Notes remain outstanding, each reference in the Senior PIK Notes Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the Senior PIK Notes Issuer shall be deemed to be a reference to such IPO Pushdown Entity and each reference in the Senior Secured Notes Indenture or the Intercreditor Agreement to the Senior Secured Notes Issuer shall be deemed to be the direct subsidiary of such IPO Pushdown Entity (such change in terms, an "IPO Debt Pushdown") and the restricted group for the purposes of the Senior PIK Notes shall consist of the IPO Pushdown Entity and its restricted subsidiaries (the "Pushdown Group") and the restricted group for the purposes of the Senior Secured Notes shall consist of the direct subsidiary of the Pushdown Entity and its restricted subsidiaries. In such event, each holding company of the IPO Pushdown Entity, and each Guarantor, other Restricted Subsidiary or security provider that is not a member of the Pushdown Group will be released from its obligations under the applicable Indenture and the Notes and the Notes Guarantees, without consent of the holders of the Notes. As a result, the covenants under the Indentures governing the Notes, including in respect of the application of proceeds from an IPO Event of a Restricted Subsidiary, will no longer apply to such entities. See *"Description of Certain Financing Arrangements—Intercreditor Agreement—IPO Debt Pushdown"*, *"Description of the Senior Secured Notes—IPO Debt Pushdown"* and *"Description of the Senior PIK Notes—IPO Debt Pushdown"*.

Such change in the terms of the Notes could be treated for U.S. federal income tax purposes as a deemed exchange of the originally issued Notes for new Notes, which would generally be treated as a taxable exchange for such purposes in which beneficial owners of the Notes would be required to recognize any gain or loss. Furthermore, for U.S. federal income tax purposes, the new Notes deemed issued in such a deemed exchange could be treated as issued with OID. In such event, noteholders that are subject to U.S. federal income tax would be required to include the OID in their income as it accrues, in advance of the receipt of cash corresponding to such income. Noteholders that are subject to U.S. federal income tax should consult their own tax advisors as to the U.S. federal income tax considerations relating to potential modifications of the Notes in connection with the IPO Debt Pushdown. See *"Certain Tax Consequences—Certain United States Federal Income Tax Considerations"* for a further discussion of the tax consideration with respect to the Notes.

It is also possible that the IPO Debt Pushdown could result in a taxable event for tax purposes other than U.S. federal income tax purposes (including for tax purposes in other jurisdictions, e.g. Germany).

USE OF PROCEEDS

We estimate that the gross proceeds from the offering of the Senior Secured Notes will be €1,000 million and that the gross proceeds from the offering of the Senior PIK Notes will be €300 million.

The Issuers intend to use the proceeds from the Offering together with proceeds of €1,080 million from borrowings under the Term Loan B Facility under the Senior Secured Facilities Agreement and the Equity Contribution to (1) fund the redemption of the Existing Senior Secured Notes and Existing Senior Notes; (2) repay all amounts outstanding under the Existing Senior Secured Facilities (including amounts outstanding under the existing revolving credit facility); (3) fund cash on hand and (4) pay fees and expenses incurred in connection therewith.

The expected estimated sources and uses of the funds necessary to consummate the Transaction 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.

(€ in millions)			
Sources of Funds	Amount	Uses of Funds	Amount
Term Loan B Facility ⁽¹⁾	1,080.0	Redemption of Existing Senior Secured Notes ⁽²⁾	304.0
Senior Secured Notes offered hereby	1,000.0	Repayment of Existing Senior Secured Facilities ⁽³⁾	1,806.1
Senior PIK Notes offered hereby	300.0	Redemption of Existing Senior Notes ⁽⁴⁾	341.2
Equity contribution	220.0	Cash overfunding	98.7
		Fees and expenses ⁽⁵⁾	50.0
Total Sources	2,600.0	Total Uses	2,600.0

(1) On or prior to the Issue Date, the Senior Secured Notes Issuer will enter into a Senior Secured Facilities Agreement which provides for up to €1,250 million of committed borrowings, including a €1,080 million Term Loan B Facility. See "Description of Certain Financing Arrangements."

(2) Represents the €300 million principal amount of our Existing Senior Secured Notes to be redeemed in full on or about the Issue Date and estimated accrued and unpaid interest of €4.0 million, assuming the Issue Date had occurred on April 1, 2021. The amount payable will differ from what is shown depending on the actual date of redemption.

(3) Represents the aggregate principal amount of and estimated accrued interest as of April 1, 2021 of €0.8 million on the Existing Senior Secured Facilities. Actual amounts required on the Issue Date may vary due to factors such as different amounts of accrued interest.

(4) Represents the €335 million principal amount of our Existing Senior Notes to be redeemed in full on or about the Issue Date and estimated accrued and unpaid interest of €6.2 million, assuming the Issue Date had occurred on April 1, 2021. The amount payable will differ from what is shown depending on the actual date of redemption.

(5) Estimated fees and expenses associated with the Transaction, including discounts and other commissions, advisory and other professional fees and transaction costs.

CAPITALIZATION

The following table sets forth, in each case, as at December 31, 2020, the cash and cash equivalents and capitalization of the Parent and its consolidated subsidiaries (1) on an actual basis; and (2) as adjusted to give effect to the Transaction. The adjustments are based on available information and contain assumptions made by our management.

You should read this table in conjunction with "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" and "Description of the Senior PIK Notes" and our Audited Financial Statements included elsewhere in this offering memorandum.

	As at December 31, 2020		
	Actual	Adjustments (€ millions)	As Adjusted
Cash and cash equivalents⁽¹⁾	459.1	-267.3	191.8
Long-term indebtedness (including current portion):			
Existing Senior Secured Facilities ⁽²⁾	1,805.3	-1,805.3	–
Existing Senior Secured Notes ⁽³⁾	300.0	-300.0	–
Senior Secured Facilities ⁽⁴⁾			
Term Loan B Facility	–	1,080.0	1,080.0
Revolving Credit Facility ⁽⁵⁾	–	–	–
Senior Secured Notes offered hereby ⁽⁴⁾	–	1,000.0	1,000.0
Total secured indebtedness	2,105.3	-25.3	2,080.0
Existing Senior Notes ⁽⁶⁾	335.0	-335.0	–
Senior PIK Notes offered hereby ⁽⁴⁾	–	300.0	300.0
Other indebtedness ⁽⁷⁾	2.1	–	2.1
Total external financial debt⁽⁸⁾	2,442.4	-60.3	2,382.1
Total stockholders' equity	803.2	220.0	1,023.2
Total capitalization⁽⁹⁾	3,245.6	159.7	3,405.3

(1) Adjustments to cash and cash equivalents include (1) estimated restructuring cash requirements of €91 million which we expect to be realized over the next two years, (2) cash overfunding and (3) an estimated seasonal cash adjustment of €275 million. Because of the payment terms that we have agreed with our suppliers, trade payables typically peak in December and the cash inflow from the peak Christmas trading season typically results in peak liquidity at the end of the calendar year. In the second quarter of our financial year, we typically experience cash outflows resulting from seasonal payments such as payments for Christmas inventories, VAT from Christmas sales and interest payments on our Existing Senior Secured Notes and our Existing Senior Notes. Our cash position on December 31, 2020 also benefited from an increased level of deferred payments for income taxes and to tax authorities, landlords and other business partners. In addition, cash flows in the second quarter of our financial year are affected by payments for income taxes, capital expenditures and interest payments on our existing Senior Secured Facilities. The estimated seasonal cash adjustment thus represents management estimates of cash outflow for the second quarter of the financial year 2020/2021 based on experience in previous financial years. The adjustments to cash and cash equivalents involve significant assumptions, have not been, and cannot be, audited, reviewed or verified by any independent accounting firm and are inherently subject to significant risks and uncertainties that could cause our actual cash requirements to differ materially from those assumed in the adjustments, including as a result of an increased amount of deferred payments and cash conservation from store closures. The actual amount of cash used may vary.

(2) Represents the aggregate principal amount of the Existing Senior Secured Facilities. Includes cash utilizations of our existing revolving credit facility and under ancillary facilities in an aggregate principal amount of €135.3 million. Does not include non-cash utilizations in the form of rent- and similar guarantees in an aggregate principal amount of €52.4 million.

(3) Represents the aggregate principal amount of the Existing Senior Secured Notes, which will be redeemed in full on or around the Issue Date.

(4) Aggregate principal amount.

(5) On or prior to the Issue Date, the Senior Secured Notes Issuer will enter into the Senior Secured Facilities Agreement, which provides for a €170 million Revolving Credit Facility. We expect the Revolving Credit Facility to be undrawn as of the Issue Date, other than the rollover of rent- and similar guarantees in an aggregate principal amount of approximately €47.7 million at the end of February that had been established or issued under the Existing Senior Facilities Agreement or ancillary facilities thereunder.

(6) Represents the aggregate principal amount of the Existing Senior Notes, which will be redeemed in full on or around the Issue Date.

(7) Represents national aid loans incurred in connection with the COVID-19 pandemic.

(8) We define total financial external debt as the sum of total secured indebtedness, the Existing Senior Notes or Senior PIK Notes, as applicable, and national aid loans incurred in connection with the COVID-19 pandemic.

(9) We define total capitalization as the sum of total external financial debt and total stockholders' equity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Investors should read the following "Selected Consolidated Financial Information" together with the additional financial information contained elsewhere in this offering memorandum, in particular in the sections on "Risk Factors", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this offering memorandum, as well as in the financial statements including the related notes included in this offering memorandum.

The following selected historical consolidated financial information as of December 31, 2020 and for the three months ended December 31, 2019 and 2020 has been derived from our Unaudited Interim Consolidated Financial Statements or is based on the Group's accounting records or management reporting. The Unaudited Interim Consolidated Financial Statements have been prepared in accordance with IAS 34. Our historical consolidated financial information included in this offering memorandum as of and for the years ended September 30, 2018, 2019 and 2020 has been derived from the Audited Consolidated Financial Statements or is based on the Group's accounting records or management reporting. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted in the EU. The Unaudited Interim Consolidated Financial Statements have been prepared using the recognition and measurement principles consistent to those applied in the Audited Consolidated Financial Statements. The results of operations for prior years are not necessarily indicative of the results to be expected for the full fiscal year or any future period. Interim financial results are not necessarily indicative of results for the full fiscal year or any future reporting period.

We adopted IFRS 16 on October 1, 2019, applying the modified retrospective method. As a result, the audited consolidated financial statements for the financial year 2017/2018 and the audited consolidated financial statements for the financial year 2018/2019 have not been restated for the adoption of IFRS 16 and thus are not directly comparable with our audited consolidated financial Statements for the financial year 2019/2020.

Selected Financial Information from Our Consolidated Statements of Profit or Loss

The following table shows selected data from our consolidated statements of profit or loss for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019	2020	2019*	2020
		(audited)	(€ millions)	(unaudited)	
Sales	3,276.8	3,453.5	3,232.7	1,292.9	1,172.9
Cost of raw materials, consumables and supplies and merchandise	-1,838.9	-1,880.6	-1,795.3	-716.1	-659.9
Gross profit	1,438.0	1,572.9	1,437.4	576.8	513.0
Other operating income	284.5	295.8	241.0	94.4	78.9
Personnel expenses	-617.3	-642.7	-581.0	-172.9	-149.5
Other operating expenses	-903.5	-943.2	-641.0	-210.5	-225.5
Result from impairments on financial assets	0.0	-0.4	0.1	-0.2	0.0
EBITDA (= reported EBITDA)⁽¹⁾	201.7	282.5	456.5	287.6	217.0
Amortization/depreciation/impairments	-373.3	-136.6	-724.1	-101.4	-97.6
EBIT⁽²⁾	-171.6	145.9	-267.6	186.3	119.3
Financial income	33.4	58.9	50.3	12.8	87.9
Financial expenses	-125.0	-124.4	-249.6	-34.4	-41.8
Financial result	-91.6	-65.5	-199.3	-21.5	46.1
EBT	-263.2	80.5	-466.9	164.7	165.5
Income taxes	-27.0	-63.3	-50.2	-33.9	-25.7
Profit or loss for the period (net income)	-290.2	17.2	-517.0	130.8	139.7

(*) As restated.

(1) EBITDA (= reported EBITDA) (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets) is not defined as a measure under IFRS. Therefore, EBITDA (= reported EBITDA) should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA (= reported EBITDA) as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA (= reported EBITDA) as shown in the table above is unadjusted. See "Presentation of Financial Information".

- (3) EBIT (calculated as EBITDA (= reported EBITDA) minus amortization/depreciation/impairment) is not defined as a measure under IFRS. Therefore, EBIT should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBIT in the same way, EBIT as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBIT as shown in the table above is unadjusted. See "Presentation of Financial Information".

Selected Financial Information from Our Consolidated Statements of Financial Position

The following table shows selected data from our consolidated statements of financial position as of the balance sheet dates indicated:

	As of September 30,			As of
	2018	2019	2020	December 31,
		(audited)		2020
		(€ millions)		(unaudited)
Non-current assets				
Intangible assets	2,360.6	2,347.6	2,045.1	2,039.7
Property, plant and equipment	313.2	292.8	278.0	261.6
Right-of-use assets from leases	—	—	1,230.9	1,178.4
Financial assets	383.7	569.8	851.8	935.0
Deferred tax assets	63.5	85.6	60.2	57.4
Current assets				
Inventories	756.0	744.4	738.6	768.9
Trade accounts receivable	47.2	45.7	37.5	56.8
Tax receivables	26.6	30.6	23.2	19.9
Financial assets	368.5	155.4	164.8	245.8
Other assets	26.6	30.1	34.8	30.2
Cash and cash equivalents	102.9	81.0	256.3	459.1
Total assets	4,448.8	4,383.0	5,721.1	6,052.8
Equity				
Capital stock ⁽¹⁾	0.0	0.0	0.0	0.0
Additional paid-in capital	1,125.1	1,125.1	1,125.1	1,125.1
Reserves	- 228.2	- 266.0	-457.8	-322.0
Non-current liabilities				
Pension provisions	33.3	40.1	37.9	37.6
Other non-current provisions	41.9	53.8	58.1	57.3
Financial liabilities	2,306.1	2,313.5	3,371.5	3,331.3
Other liabilities	5.0	8.9	14.6	18.0
Deferred tax liabilities	208.8	196.9	193.7	193.5
Current liabilities				
Current provisions	102.6	114.6	123.5	112.0
Trade accounts payable	565.5	487.0	503.5	670.4
Tax liabilities	54.5	60.9	68.7	140.0
Financial liabilities	31.3	37.5	458.6	423.7
Other liabilities	202.9	210.8	223.7	265.9
Total equity and liabilities	4,448.8	4,383.0	5,721.1	6,052.8

(1) Capital stock remained unchanged at €25,000 on the respective balance sheet dates indicated, and capital was entirely paid in.

Selected Financial Information from Our Consolidated Statements of Cash Flows

The following table shows selected data from our consolidated statements of cash flows for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019	2020	2019*	2020
		(audited)	(€ millions)	(unaudited)	
Net cash flow from operating activities	129.0	198.3	493.6	415.4	354.5
Net cash flow from investing activities	-389.5	-106.4	-105.5	-31.1	-27.3
Net cash flow from financing activities	185.3	-113.6	-212.2	-103.3	-124.2
Net change in cash and cash equivalents	-75.3	-21.8	176.0	281.2	203.0
Net change in cash and cash equivalents due to currency translation	-0.2	-0.1	-0.7	0.2	-0.2
Cash and cash equivalents at the beginning of the reporting period	178.4	102.9	81.0	81.0	256.3
Cash and cash equivalents at the end of the reporting period	102.9	81.0	256.3	362.4	459.1

(*) As restated.

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

Investors should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Group together with the additional financial information contained elsewhere in this offering memorandum, in particular in the sections on "Risk Factors", "Business" and "Selected Consolidated Financial Information" contained in this offering memorandum, as well as in the financial statements including the related notes in this offering memorandum. Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not necessarily indicative of the results that should be expected for the full year or any other period.

The following selected financial information (i) if marked "audited", is taken from our Audited Consolidated Financial Statements and (ii) if marked "unaudited", is not taken from our Audited Consolidated Financial Statements, but rather from either our Unaudited Interim Condensed Consolidated Financial Statements, or accounting records or our management reporting. All of the following selected financial and business information is shown in millions of Euro, except as otherwise stated. The data (including percentages) have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, the rounded figures may not add up exactly to the totals contained in those tables. In respect of financial data set out in this offering memorandum, a dash ("-") signifies that the relevant figure is not available or not applicable, while a zero ("0") signifies that the relevant figure is available but has been rounded to or equals zero.

Overview of the Business Activities of the Douglas Group

We believe we are the leading premium beauty platform in Europe, with total Group sales of €3,112.7 million, Adjusted EBITDA (as reported) of €250.2 million and Adjusted EBITDA of €235.2 million in the twelve months ended December 31, 2020. The majority of our sales are generated within the selective beauty distribution channel, which requires the formal authorization of a supplier to carry a selective product, as opposed to the mass market channel. As of December 31, 2020, we operate in 26 European countries with over 2,300 stores (including 141 franchised stores) in 20 countries and have e-commerce operations in 24 countries. According to the OC&C Market Review Update, in 2019 we held leading market positions in the premium beauty market (top 1-2) in all of our core markets except for Spain where we held the number 3 position. In those six core countries, we generated 90.7% of our sales in the financial year 2019/2020. In the financial year 2019/2020, we had an average number of 21,016 employees (salaried employees and excluding apprentices).

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and e-commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In October 2019, we launched our beauty marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories. As of December 31, 2020, our marketplace featured 101 partners and offered nearly 84,000 SKUs (in Germany including Parfumdreams and Niche Beauty). Our total e-commerce sales amounted to €1,006.3 million in the twelve months ended December 31, 2020, corresponding to 32.3% of our total sales. In the financial year 2019/2020, our e-commerce sales amounted to €821.5 million, or 25.4% of our total sales, corresponding to a CAGR of 39.3% during the financial year 2017/2018 to 2019/2020. In Germany, our e-commerce sales comprised 39.9% of our total sales in the financial year 2019/2020.

We primarily operate under the "Douglas" brand and under the "Nocibé" brand in France and Monaco. With nearly 130,000 different SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), we offer one of the industry's largest beauty and personal care product assortments available across a wide range of price points in both our brick & mortar and online stores. This assortment is complemented by a range of beauty-related nutritional supplements, accessories such as jewelry, home decorations and selected service offerings.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services. As a result, we have an extensive customer loyalty card program. As of September 30, 2020, we had more than 44 million Douglas Beauty Card / Nocibé Card holders across Europe. We believe that several factors make us a "must-have" distribution platform for the major suppliers of beauty products, such as our customer base, reputation, broad, well-invested store network in prime locations, and e-commerce capabilities.

We believe we are an innovation leader in omnichannel beauty retailing in Europe and already at the beginning of the financial year 2017/18, we launched our #FORWARDBEAUTY strategy where we put our online business at the center of our focus with the aim of becoming an integrated, data-based beauty platform. As part of this strategy, we have successfully modernized our brand logo and store design and continue to make investments in e-commerce. We have updated our successful #FORWARDBEAUTY strategy and have started to implement the next phase, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing even more on digitalization to create an integrated beauty platform and link our brick & mortar stores and e-commerce capabilities. In doing so, we aim to provide a more holistic journey for our customers.

Selected Factors Affecting Results of Operations and Financial Position

We believe that the factors discussed below have significantly affected the development of our results of operations and financial position in the period for which financial information is presented in this offering memorandum, and that such factors will continue to have a material influence on our results of operations and financial position in the future.

For a discussion of certain factors that may adversely affect our results of operations and financial position, see the risk factors set out in the section headed “*Risk Factors*” in this offering memorandum.

Development of the European Beauty Market

Our results of operations have historically been affected by developments in the European premium beauty market and to a certain extent by the general economic climate in the regional markets where we operate. As a result, the principal condition currently affecting our business and results of operations is the COVID-19 pandemic. The recent lockdowns across countries in Europe where we operate, social distancing requirements, curfews, the continuing uncertainty of COVID-19’s trajectory and the uncertainty of the pace of recovery and changes in customer behavior and preferences are all factors we expect will continue to impact our business. See “*Factors Affecting Comparability—COVID-19 Pandemic*” below.

The premium beauty market in many European countries has demonstrated resilience even throughout more challenging retail trading environments, including during the European financial crisis and partly through the COVID-19 pandemic. Beauty products (fragrances, skin & body care and also color cosmetics) are often perceived as accessible high-value gifts and so-called “personal rewards”, which has contributed to the demand for such products in general remaining stable historically and showing resilience even during periods of extended economic downturns. The European beauty market in our six core markets (Germany, France, The Netherlands, Italy, Spain and Poland) grew at a CAGR of 2.3% between 2015 and 2019 while over the same period, the premium segment of the market where we operate grew at a CAGR of 2.9%. We believe that this development was primarily volume-driven, while growth of certain product categories like fragrances and skincare were driven by growth in high-end brands, new launches in high tech products and clinical ingredient products, a trend towards organic ingredients and natural beauty products. Before the COVID-19 pandemic, our sales, including brick & mortar sales and e-commerce sales, reflected the positive trend of the market and grew from €3,276.8 million in the financial year 2017/2018 to €3,453.5 million in the financial year 2018/2019, partially also bolstered by our acquisition of Parfumdreams in August 2018.

In the coming years, the premium segment of the European beauty market is expected to continue to grow. For additional information on the European premium beauty market, see “*Market and Competitive Environment*”.

Trends towards Omnichannel Distribution and E-commerce

We focus on total like-for-like performance on an omnichannel basis including both brick & mortar and e-commerce. However, in accordance with our overall strategy, e-commerce has seen a particular strong growth in recent financial years and has contributed above-average to our overall like-for-like growth. This development was underpinned by a strong underlying growth of the online premium beauty market in our six core markets (Germany, France, The Netherlands, Italy, Spain and Poland), which grew at a CAGR of 21% between 2015 and 2019 and amounted to 14% of the total premium beauty market in those countries in 2019, as well as recent improvements to our e-commerce platform.

Driven by constant changes in customer demand and shopping behavior, we have continuously invested in omnichannel distribution capacities, including our e-commerce platform and beauty marketplace, and have implemented organizational changes to integrate our brick & mortar and online businesses. Although we believe we operate the leading online beauty platform in our core countries, with highly integrated brick & mortar, online and mobile customer interfaces (which, for example, allow our customers to browse online/mobile and buy in-store, or click & collect”), we expect such investments in e-commerce to continue in the future.

Our online shops have been an important source of profitable growth in the past few years and our results of operations have been positively influenced by the on-going trend towards e-commerce and omnichannel distribution. In addition, we believe that the COVID-19 pandemic has fundamentally changed customer behavior and further accelerated the shift towards online retailing even outside of national lockdowns, which has in turn positively affected our e-commerce sales.

E-commerce sales are defined as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) (and, for Germany, telephone orders) after cancellations and backorders, as well as rebates, discounts and returns, disregarding any stock transfer from e-commerce to brick & mortar business. In the first quarter 2020/2021, our e-commerce sales amounted to €433.4 million, corresponding to 37.0% of our total sales. For the twelve months ended December 31, 2020, our e-commerce sales totaled €1,006.3 million, or 32.3% of our total sales. E-commerce sales increased to €821.5 million, corresponding to 25.4% of our overall sales in the financial year 2019/2020 from €584.1 million (or 16.9% of our overall sales) in the financial year 2018/2019 and €423.3 million (or 12.9% of our overall sales) in the financial year 2017/2018.

The continued growth of our e-commerce platform has been accompanied by an increase of related variable costs, in particular cost of freight and packaging costs, which, on a relative basis, represent a larger portion of our e-commerce cost base as compared to our brick & mortar store cost base. In addition, as part of our #FORWARDBEAUTY.DigitalFirst strategy, we are moving towards a One Warehouse, All Channels ("OWAC") approach in our supply chain management and logistics where each of our logistic facilities will service our physical stores and e-commerce platform as well as handle partner fulfillment for our marketplace. Our growing e-commerce business has resulted in the ratio of outbound logistic costs as a percentage of net sales increasing slightly in the last few years.

The following table shows key operational e-commerce data for our e-commerce business for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019	2020	2019**	2020
Key operational e-commerce data	<i>(unaudited unless indicated by *)</i>				
E-commerce sales (in € millions, Group) ⁽¹⁾	423.3 ⁽¹⁰⁾	584.1*	821.5*	248.6	433.4
E-commerce sales (in % of total sales, Group) ⁽¹⁾	12.9%	16.9%	25.4%	19.2%	37.0%
Number of orders (online; in thousands) ⁽²⁾	9,442.3	11,867.4	16,044.6	4,755.9	8,004.1
Sales growth (e-commerce, Group) (in %) ⁽³⁾	10.5%	38.0%	40.6%	23.2%	74.3%
Number of active customers (online; in millions) ⁽⁴⁾	5.4	7.7	10.4	3.8	6.3
Site visits (online; in millions) ⁽⁵⁾	278.4	346.9	495.1	143.6	224.7
Average basket size per order (online) (in €) ⁽⁶⁾	58.3	59.5	65.3	69.4	65.1
Return rate (online; in %) ⁽⁷⁾	4.9%	5.0%	4.3%	3.6%	2.9%
Conversion rate (in %) ⁽⁸⁾	3.4%	3.4%	3.2%	3.3%	3.6%
Fulfillment costs (in € millions) ⁽⁹⁾	43.1	56.9	83.7	25.4	43.2
Fulfillment costs (in % of e-commerce sales) ⁽⁹⁾	10.2%	9.7%	10.2%	10.2%	10.0%

(**) As restated

- (1) E-commerce sales of the financial year 2017/2018 do not include sales from click & collect in France in the amount of €15.6 million that are presented as brick & mortar sales.
- (2) We define the number of orders as the number of customer orders placed in the financial year after cancellations and backorders; an order is counted on the day we fulfill the order. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.
- (3) Sales growth (e-commerce) reflects our e-commerce sales growth, shown as a percentage change compared to the previous period.
- (4) We define the number of active customers as the sum of all customers placing at least one order per financial year for which an invoice has been issued, whereby a customer ordering multiple times under a guest account will be counted as multiple customers. Due to a system change, active customer data for Spain is not included in financial year 2017/2018. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.
- (5) We calculate site visits as the number of series of page requests from the same device and source (either via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone)) in the respective period as recorded via the analytics tool Webtrekk. Due to technical reasons, tracking data for Switzerland is not included for financial year 2018/2019. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.

- (6) We define the average basket size per order as the total amount spent by our customers (including VAT) after cancellations and returns divided by the number of delivered orders after cancellations in the financial year, in Germany excluding Swiss e-commerce, Parfumdreams and Niche Beauty.
- (7) We define the return rate as the ratio of the number of returned products and the number of products ordered, after cancellations and backorders and disregarding any stock transfer from e-commerce to brick & mortar business in Germany, excluding Parfumdreams and Niche Beauty.
- (8) We define the conversion rate as the amount of all past customer orders before returns and cancellations without relocations in a selected period divided by the number of visits in that period. These values are only for the countries in which we operate, excluding Bulgaria, Croatia, Lithuania, Latvia and Estonia.
- (9) We define fulfillment costs as the sum of cost of freight, packaging material cost, as well as storage and handling cost. Costs for our own employees in warehouses are not included. Fulfillment costs have been derived from our unaudited management accounts. Group values are shown.

Renovation and Optimization of our Store Network

Our ability to increase our brick & mortar sales and our profitability depends to some extent on the total number of stores that we operate and the profitability of each store location. Moreover, our ability to create a holistic digital customer journey through the integration of our online shop and marketplace with our store business, especially at our prime retail locations, at costs that allow us to maintain our target profit margins, is a key factor to our success.

In the last three financial years, we actively managed our store portfolio, concentrating more on the optimization, *i.e.*, closing or replacing stores with lower profitability, primarily in South-Western Europe, with stores in better locations as appropriate, opening flagship stores in big cities, and less on the expansion of our store network. From October 1, 2017 to December 31, 2020, we added 454 own stores to our network on a net basis (including stores that were acquired as part of the acquisitions of Limoni and La Gardenia in Italy as well as Bodybell and Perfumerias If in Spain and Andorra). The net increase of 454 stores resulted from 110 new store openings, 629 store acquisitions and the closure of 285 stores. Our openings of directly operated stores over the period primarily focused on Eastern Europe, in particular on Poland and Romania, where we had identified certain opportunities to increase the number of stores, as well as France.

In light of the shift in customer behavior towards online retailing, which has been accelerated by the COVID-19 pandemic, we have launched our Store Optimization Program ("SOP"). Our SOP targets closing approximately 500 stores by the end of September 2022 across our network but with a focus on Southern Europe, where our sales from brick & mortar stores were particularly affected by the COVID-19 pandemic and where there is currently high overlap in store locations due to our historical acquisitions. As the announcement of our SOP was in January 2021, the costs of closure are only partially reflected in our Audited Consolidated Financial Statements or Unaudited Interim Condensed Consolidated Financial Statements. See *"Business-Strategy-Complement accelerating e-commerce channel with Store Optimization Program"*.

Our capital expenditures typically relate to investments in the refurbishment, maintenance, design and re-design of existing stores and the expansion of our e-commerce business and totaled €105.4 million, €108.6 million and €126.4 million in the financial years 2019/2020, 2018/2019 and 2017/2018, respectively. While our capital expenditures usually remained relatively stable, such expenditures peaked in the financial year 2017/2018 as a result of the implementation of our #FORWARDBEAUTY strategy, which resulted in the rejuvenation of our brand appearance, including the new Douglas logo and the further development of our e-commerce platform and customer loyalty program.

Growth and Value-Creation Initiatives

In the financial year 2017/2018, we began to implement our #FORWARDBEAUTY strategy with the aim of building an integrated, data-based beauty platform. As part of the strategy, we have modernized and upgraded our brand including a new logo and are in the process of developing our stores from being points of sale to points of experience in order to enhance the customer experience. In addition, we have started to implement the next phase of our #FORWARDBEAUTY strategy, known as #FORWARDBEAUTY.DigitalFirst, which focuses on digitalization in order to create a holistic journey for our customers. We are thus digitalizing our entire supply chain management and using data analytics to deliver highly curated customer communications. We believe that #FORWARDBEAUTY.DigitalFirst will be a key driver for increased store traffic, customer conversion rates and average volume per purchase going forward. See *"Business-Strategy-Further implement #FORWARDBEAUTY.DigitalFirst"*.

In the financial year 2017/2018, we also implemented a pricing re-set in Germany, where we recalibrated the pricing of our products to better fit the pricing sensitivities of our customers. While the initiative contributed to a total decrease of our Adjusted EBITDA (as reported) margin in Germany from 10.4%

in the financial year 2017/2018 to 5.4% in the financial year 2019/2020, we believe that the re-set was necessary in order to maintain our position and protect our margins in the competitive premium beauty market. Our pricing algorithm sets prices dynamically according to competitor price developments and the price sensitivity of each stock keeping unit ("SKU"). The price sensitivity score of each SKU is calculated individually for each market based on approximately 10 to 15 external and internal input factors (e.g. traffic share from price search engines). SKUs with high price sensitivity and high importance for price perception, referred to as key value items ("KVI") are priced more aggressively and therefore closer to relevant competitors in the market. For SKUs with the highest price sensitivity score, referred to as super-KVIs, we match the price of the lowest relevant competitor in the market subject to certain conditions.

Furthermore, changes in our product mix have impacted and are expected to continue to impact our brick & mortar sales and e-commerce sales and operating profit as profit margins for different categories and products vary. In particular, our own brands and exclusive products allow for differentiation *vis-à-vis* key competitors. The sales share of our own brands accounted for 6.6% of our total sales in the financial year 2019/2020. Own brands contribute to our profitability due to their competitive margins and relatively low brand costs while being attractive to customers. On a product category basis, color cosmetics products were slightly above average, while skin care and fragrances were slightly below average as compared to our Group's overall gross profit margin in the recent past.

Cost Base

Fixed costs represent a major share of our cost base and, consequently, are an important factor in determining our financial results. Our fixed costs include rental expenses and energy costs. Personnel expenses have both a fixed and semi-variable component due to the hiring of temporary workers during the peak selling periods and variable compensation components. When offsetting our marketing and advertising costs for other operating income from marketing and advertising costs recharged, personnel expenses, as well as rental and energy costs were our largest cost factors in the periods under review.

Personnel expenses include the costs of staff in our directly operated brick & mortar stores, staff operating our online shops and staff in our headquarters and other business operations performing mainly administrative, centralized and service functions. The compensation of our sales employees and area managers often includes a variable component based on the level of sales and other relevant KPIs, which leads to some degree of fluctuation with respect to personnel costs. We also manage personnel expenses in our stores, to a certain degree, by varying staffing levels in anticipation of customer traffic. The effect of recent COVID-19 related lockdowns in the countries where we operate on our personnel expenses varied on a country by country basis. While the variable component of our sales employee compensation generally ceased to apply during this period, we have also been able to take advantage of government initiatives in certain countries aimed at alleviating the effects of the COVID-19 pandemic, which have subsidized some of our personnel expenses for periods where our stores were closed.

Our personnel expenses, which are in the vast majority fixed in the short term, increased from €617.3 million in the financial year 2017/2018 to €642.7 million in the financial year 2018/2019 and decreased to €581.0 million in the financial year 2019/2020. As a percentage of total sales, our personnel expenses decreased from 18.8% in the financial year 2017/2018, to 18.6% in the financial year 2018/2019 and 18.0% in the financial year 2019/2020. In the first quarter 2020/2021, our personnel expenses decreased to €149.5 million from €172.9 million in the first quarter 2019/2020. Due to the fixed cost components of personnel expenses, they typically represent a lower percentage of sales in our first financial quarter, which includes the peak Christmas trading period. Our personnel expenses ratio decreased to 12.7% in the first quarter 2020/2021 from 13.4% in the first quarter 2019/2020. These recent improvements of our personnel expenses ratio mainly resulted from short term work due to the COVID-19 pandemic and may not be indicative of our future personnel expenses.

Most of our lease agreements provide for fixed monthly lease payments, however some of the lease agreements contain sales-related additional lease payments, meaning that a portion of the lease payment is tied to the level of sales generated in the respective store, subject to a minimum lease payment. Moreover, in certain jurisdictions, such as France, rent automatically increases pursuant to applicable law on the anniversary date of a lease in accordance with an official index or otherwise tied to other indices (such as the *Baupreisindex* in Germany). The lease agreements of our store portfolio across Europe include a variety of different lease periods ranging from one to ten years, some of which contain extraordinary termination rights that allow for earlier exits. Rent and utilities expenses increased from €355.2 million in the financial year 2017/2018 to €358.2 million in the financial year 2018/2019 and subsequently decreased to €59.6 million in the financial year 2019/2020. The significant decrease in rent and utilities in the financial year 2019/2020 was due to the first-time application of IFRS 16. Excluding the impact of IFRS 16, our rent and utilities expenses was €338.2 million, which is also partially reflecting the impact of the COVID-19 pandemic, in the financial year 2019/2020. See "*Factors Affecting Comparability—Changes to Accounting Standards—IFRS 16 (Leases)*", below.

As a result of the COVID-19 pandemic, governments across Europe implemented two waves of national lockdowns during the course of 2020. By the beginning of April 2020, nearly all of our stores were closed. Although the majority of our stores slowly re-opened after the end of April 2020 depending on the countries where they are located, some stores remained closed or closed again during subsequent lockdowns. In part pursuant to certain government initiatives aimed at alleviating the effects of the COVID-19 pandemic for those countries which did not allow for reduction of lease payments by law in a pandemic, we have attempted to defer and/or reduce lease payments on our leased premises for certain lockdown-affected periods. However, our success at negotiating these arrangements has varied significantly on a case by case basis depending on the landlord and country. There can be no assurances that we will be able to obtain any rent deferrals or reductions in 2021.

Marketing and Customer Retention

We believe that driving customer loyalty and purchase frequency is critical to our growth and profitability. We employ a holistic marketing strategy across all channels and customer touch-points. On a gross basis, we have incurred, and expect to continue to incur, significant expenses in marketing which, in the periods under review, constituted the third largest share in our cost base. However, the largest portion of our annual gross marketing costs is financed by the third-party brand suppliers of selective products in the form of so-called “market development funds.” These market development funds are funds that are made available by brand manufacturers to help us in selling their products and create local awareness about the manufacturers’ brand and are typically used in the premium beauty market. In our statements of income, market development funds are accounted for in other operating income as income services rendered to third parties.

As part of our updated #FORWARDBEAUTY.DigitalFirst strategy, we have adopted a data-centric approach to our customer relationship management. Using customer behavioral data collected from online purchases, use of our Douglas Beauty Card / Nocibé Card and our marketing channels, our customer relationship management analytics, driven by machine learning algorithms and artificial intelligence, allow us to personalize all future customer interactions across all channels by clustering customers into segments and providing them with tailored product recommendations, product news and other content. We believe that such personalized curation drives customer loyalty and increases the frequency of customer interactions. Our customer relationship management system assists us in getting to know our customers better, and to provide them with personal recommendations, beauty content relevant to their preferences, and specific offers, which in turn drives higher sales.

In the financial year 2019/2020 in Germany (excluding Parfumdreams and Niche Beauty), the number of purchases per year per customer was 3.0 for Douglas Beauty Card holders and 5.4 for Douglas Beauty Card holders who used the Douglas App. Over the same period in Germany (excluding Parfumdreams and Niche Beauty), average spend per customer was €52.1 for Douglas Beauty Card holders and €53.4 for Douglas Beauty Card holders who used the Douglas App.

In addition, we have developed and with each additional customer transaction, are continuing to build a Douglas data hub that collects data from our stores, our customer relationship management system, our website, our Douglas App and retail and marketplace data. We intend to use this growing collection of data to train our machine learning algorithms, which in turn will enable us to manage our internal processes more efficiently, improve individualized customer offers and ultimately drive profitability.

Seasonality, Working Capital and Inventory Management

Our product portfolio covers nearly 130,000 SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace). We experience major seasonal fluctuations in our total sales with a significant portion of our total sales typically being driven by key consumer events. Our most important trading period is typically the seven- to eight-week period leading up to Christmas (including Singles’ Day and Black Friday) and the New Year that ends on December 31 (which period falls into the first quarter of our financial year).

Excluding the effects of extraordinary events like the COVID-19 pandemic, our first quarter typically represents approximately one third of our annual sales (while the remaining sales are relatively equally split between the last three quarters) and is therefore the most important quarter of our annual Adjusted EBITDA (as reported). Our other important trading periods, varying from country to country, are those around St. Valentine’s Day (in February), Easter (March or April, depending on the year), Mother’s Day (in May or June, depending on the year or country) and Epiphany (in January).

Our gross profit margin (defined as total sales minus cost of raw materials, consumables and supplies and merchandise) is affected by variation in pricing of products, supplier bonuses, different promotion campaigns and assortment mix variations throughout the year. Our operating expenses are also affected by seasonal trading patterns, such as the increase in the use of temporary workers during the busiest trading periods.

In addition, our net working capital also shows significant seasonal patterns, with investment in inventory generally reaching a peak in October and November while our trade payables, due to our general payment terms with suppliers, typically peak in December. The development of our net working capital is a key factor for our operating cash flow. We define net working capital as the sum of the sub-line items (i) inventories, (ii) trade accounts receivable, (iii) trade accounts payable, and (iv) other receivable and liabilities related to supplier receivables for rebates/bonuses and marketing subsidies as well as outstanding voucher liabilities.

Seasonal fluctuations also have a significant impact on our liquidity levels. Because of the payment terms that we have agreed with our suppliers, trade payables typically peak in December and the cash inflow from the peak Christmas trading season typically results in peak liquidity at the end of the calendar year.

Our net working capital increased from €231.3 million as of September 30, 2018, to €286.9 million as of September 30, 2019 and decreased to €248.3 million as of September 30, 2020, mainly driven by a decrease in inventory, an increase in trade accounts payable and voucher liabilities as a result of longer agreed payment terms with suppliers and other deferred payables. Despite the COVID-19 pandemic, we have successfully managed our inventory through both our e-commerce channel and store channel, as well as various categories of our beauty products, and achieved a decrease in our inventory. Expressed as a percentage of total sales, our net working capital ratio increased from 7.1% in the financial year 2017/2018, to 8.3% in the financial year 2018/2019 and decreased to 7.7% in the financial year 2019/2020. As of December 31, 2020, our net working capital amounted to €187.9 million, or, expressed as a percentage of our total sales in the twelve months ended December 31, 2020, to 6.0%.

COVID-19 Pandemic

We have been and expect to continue to be adversely affected by governmental efforts to contain the COVID-19 pandemic. The most significant of these measures include imposition of quarantines, stay-at-home orders, curfews, the closure of non-essential shops, restrictions on travel and the closure of national borders.

As a result of the COVID-19 pandemic, governments across Europe implemented two waves of national lockdowns during the course of 2020. These measures led to the temporary closure of the majority of our stores for periods throughout 2020 and as a result, negatively affected our business and results of operations. For example, by the beginning of April 2020, nearly all of our stores were closed. We have been and expect to continue to be adversely affected by governmental efforts to contain the COVID-19 pandemic. Although the majority of our stores slowly re-opened after the end of April 2020 dependent on the countries where they are located, some stores remained closed or closed again during subsequent lockdowns or are operating with reduced workforces and shortened opening hours. As a result, our store traffic and sales have not reached pre-lockdown levels. For example, our store traffic (including Parfumdreams) decreased from approximately 254 million in the financial year 2018/2019 to approximately 196 million in the financial year 2019/2020. Moreover, in our six core countries as of December 31, 2020, only 53.7% of our stores were open. The drop in customer footfall in many locations led to significantly lower brick & mortar sales, and in the periods following the lockdown, extended hygiene measures (such as requirements to wear masks and limits on the number of customers in our stores) had to be implemented in stores for the health and safety of our customers and employees, which also resulted in lower footfall. Despite the decrease in sales, fixed costs, particularly in the form of personnel and rental expenses, have not fallen to the same extent. Overall, the COVID-19 pandemic mainly contributed to a decline of our total brick & mortar sales by 15.8% in financial year 2019/2020 compared to the financial year 2018/2019 and 28.8% in the first quarter of 2020/2021 compared to the first quarter of the prior year.

We have taken and continue to take a number of actions in response to the COVID-19 pandemic, in particular the expansion of our e-commerce capabilities and related customer support, focusing on tight cash management, negotiating rent for our leased premises and taking advantage of rent deferrals where available, actively managing personnel expenses, take advantage of state subsidies like short-term work or temporary dismissal and working with suppliers to extend payments terms and manage returns. It is difficult to predict the medium to long-term effects of the COVID-19 pandemic on the European premium beauty market and we continue to closely monitor any decisions taken by the governments in the regions where we operate.

In addition, we believe that the COVID-19 pandemic has further accelerated the shift towards online retailing even outside of national lockdowns, which has in turn positively affected our e-commerce sales. Our e-commerce sales increased by 40.6% in financial year 2019/2020 compared to the prior period and 74.3% in the first quarter 2020/2021 compared to the prior year. Bolstered by the strength of our online beauty platform and our strong brand awareness, we achieved segment share gains in the total premium beauty market across our core countries, for the twelve months ended December 31, 2020 as compared with the previous year including increases in segment share of 1.6 percentage points in Germany that resulted in a total segment share of 45.5%, 1.6 percentage points in France that resulted in a total segment share of 28.3%, 0.1 percentage points in Spain that resulted in a total segment share of 11.8% and 0.5 percentage points in Italy that resulted in

a total segment share of 24.6% (excluding certain competitors such as Amazon e-commerce and Flaconi in Germany).

Factors Affecting Comparability

Changes to Accounting Standards–IFRS 16 (Leases)

On January 13, 2016, the IASB published IFRS 16 and the European Union adopted IFRS 16 on November 9, 2017. IFRS 16 replaces the requirements of IAS 17 (Leases) and abolishes the classification of leases into operating leases and finance leases for lessees, replacing it with a uniform accounting model where leases are required to recognize a right-of-use asset and a corresponding lease liability. The right-of-use asset is amortized on a straight-line basis over the term of the lease and the majority of rental expense previously presented under IAS 17 as “other operating expense” is now recognized as depreciation of the right-of-use asset. Furthermore, interest expense results from the ongoing accrual of interest on the lease liability.

We adopted IFRS 16 on October 1, 2019, applying the modified retrospective method. As a result, the audited consolidated financial statements for the financial year 2017/2018 and the audited consolidated financial statements for the financial year 2018/2019 have not been restated for the adoption of IFRS 16 and thus are not directly comparable with our audited consolidated financial statements for the financial year 2019/2020. Given the size of our portfolio of leased stores, we had a significant number of leases formerly classified as operating leases under IAS 17. As a result, the adoption of IFRS 16 impacted our audited consolidated financial statements for the financial year 2019/2020 by €1,230.9 million recognized as right of use assets and €1,331.8 million recognized as lease liabilities. For more information, see notes 2, 13 and 25 of our audited consolidated financial statements for the financial year 2019/2020.

Acquisitions

We have a track record of successfully executing acquisitions, including both large-scale acquisitions as well as a number of smaller bolt-on acquisitions. In November 2017, we completed the acquisition of 103 stores and the e-commerce platform of Perfumerias If, one of the leading perfumery and cosmetic chains in Spain (including Andorra). In November 2017, we also acquired Limoni and La Gardenia, two leading Italian beauty and perfumery chains which together comprised approximately 500 stores across Italy. In August 2018, we acquired an 80.0% interest in Parfümerie AKZENTE GmbH (“Parfumdreams”), which comprised an online shop and brick & mortar stores in Germany. In July 2019, we acquired a 51.0% interest in Niche-Beauty.COM GmbH (“Niche Beauty”), an emerging online portal for luxury niche and trend brands, strengthening our assortment at the premium and niche cosmetics end. As a result, our results of operations for the financial year 2017/2018 only reflect 11 months of contribution from Perfumerias If, Limoni and La Gardenia and only one month of contribution from Parfumdreams and thus are not fully comparable to our results of operations for the financial year 2018/2019 and the financial year 2019/2020, and our results of operations for the financial year 2019/2020 only reflect three months of contribution from Niche Beauty and thus are not fully comparable to our results of operations for the financial years 2017/2018 and 2018/2019.

Segments

The segment reporting of the Group, prepared in conformity with IFRS 8, reflects the internal management and reporting structure, which is based on geographical regions. For the purposes of segment reporting, the individual countries where we operate are allocated to the regions (reportable segments) Germany, France, South-Western Europe and Eastern Europe. Service and regional holding entities are allocated to the segments based on the region of their place of business. Transfers between our segments are conducted on an arm’s length basis.

Explanation of Key Statements of Profit or Loss Items

The following section provides an explanation of the key items of our audited consolidated statements of profit or loss.

Sales

Most of our brick & mortar sales and e-commerce sales are generated through the sales of goods (the vast majority of which is retail with very limited wholesale), although part of our revenue is also generated through the sales of services (including certain IT services and retail media sales) that we offer.

Like-for-like sales growth (in %) is defined as sales growth from like-for-like brick & mortar and from e-Commerce, calculated for the period indicated and shown as a percentage change from the corresponding previous period.

Like-for-like sales growth (brick & mortar) (in %) consists of sales growth from like-for-like stores. A store is defined as like-for-like per each financial year when it has been open for at least one entire financial year as of the first day of the relevant period (excluding any temporary closures for COVID-19 related reasons), and is expected to be open for the full financial year. When comparing periods other than a financial year, e.g. the first quarters of the financial years 2018/2019 and 2019/2020, a store is defined as like-for-like if the store has been open in both first quarters and for at least one entire financial year (i.e. financial year 2018/2019, excluding any temporary closures for COVID-19 related reasons) and is expected to be open for the full financial year (i.e. financial year 2019/2020). One exception for the definition has been applied to the calculation of like-for-like sales from financial year 2017/2018 to financial year 2018/2019: In November 2017, we acquired Limoni S.p.A. ("Limoni") and La Gardenia Beauty S.p.A. ("La Gardenia"). The acquired stores would not qualify as like-for-like since they only contributed 11 months instead of a full fiscal year and were moreover affected by numerous closings in financial year 2017/2018 and financial year 2018/2019. However, due to the size of the acquisition compared to the gap between 11 months and full fiscal year, we included the Italian acquisition in the like-for-like total for the financial year 2018/2019. As a result, like-for-like growth for financial year 2018/2019 on a Group total level has been reduced from 2.6% to 1.9% (brick & mortar from 0.4% to 0.2%). In the financial year 2017/2018, our brick & mortar sales included click & collect sales in France in the amount of €15.6 million. These click & collect sales were classified as e-commerce sales in subsequent periods.

Like-for-like sales growth (e-commerce) (in %) reflects our organic e-commerce sales growth, calculated for the period indicated, shown as a percentage change from the corresponding previous period. In the financial year 2017/2018, our e-commerce sales did not include click & collect sales in France in the amount of €15.6 million, which were instead classified as brick & mortar sales. Such click & collect sales were classified as e-commerce sales in subsequent periods.

Cost of Raw Materials, Consumables and Supplies and Merchandise

Cost of raw materials, consumables and supplies and merchandise consists of the cost of sourcing the products that we sell, which include our selective product and exclusive product offerings, as well as our own-branded products, from third-party suppliers. "On the invoice" discounts granted by suppliers on goods purchased by us are accounted under cost of raw materials, consumables and supplies and merchandise. We also purchase raw materials and other supplies, such as shopping bags used in our stores, gift papers and merchandising, the costs of which are also included in this line item.

Other Operating Income

Other operating income includes, in particular, refunds primarily for marketing costs, other recharged costs to related parties and income from customer cards. Prior to the implementation of IFRS 16, other operating income included income from leasing and subleasing largely resulting from stores leased that were not used but were subleased.

Personnel Expenses

Our personnel expenses primarily consist of wages and salaries. In addition, our personnel expenses cover social security charges, pension and other benefit costs (including expenses related to our defined contribution plans) as well as redundancy costs. Our personnel expenses largely relate to the staff employed in our stores. Additional personnel expenses include employees in the areas of our e-commerce business and all other administrative functions (e.g. marketing, procurement, IT, and finance). Recent improvements of our personnel expenses ratio mainly resulted from short term work due to the COVID-19 pandemic and may not be indicative of our future personnel expenses or comparable to periods before the COVID-19 pandemic.

Other Operating Expenses

Our other operating expenses mainly comprise marketing and advertising costs, goods handling costs (which include packaging and shipment for online orders and merchandise transfer to stores), credit card fees, and utility costs. In addition, the line item "other operating expenses" includes costs of transferring merchandise (e.g., from warehouses to the stores), other services, and other costs, including IT, consulting and repair costs. Prior to the implementation of IFRS 16, other operating expenses included rent and expenses from subleases to third parties.

EBITDA (=reported EBITDA)

EBITDA (=reported EBITDA) (calculated as total sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets) is not defined as a measure under IFRS. Therefore,

EBITDA (=reported EBITDA) should be viewed as supplemental but not as a substitute for data from the consolidated statement of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA (=reported EBITDA) as used in this section is unadjusted. Depreciation consists of regular depreciation on equipment (in particular furniture, fixtures, IT equipment in stores, warehouse premises and for our e-commerce platform and, after the implementation of IFRS 16, right of use assets), as well as on intangible assets (mostly on IT licenses).

Adjusted EBITDA (as reported) is defined as EBITDA (= reported EBITDA) adjusted for those lease expenses and income in accordance with IAS 17 that are to be capitalized in accordance with IFRS 16, and adjusted for those items which, in the opinion and decision of the management of the Parent, are non-regularly recurring, exceptional or unsuitable for internal control, such as credit card fees, purchase price allocations, restructuring costs and severance payments, consulting fees and other adjustments. We believe that Adjusted EBITDA (as reported) is a useful performance measure. However, Adjusted EBITDA (as reported) is not defined as a measure under IFRS. Therefore, Adjusted EBITDA (as reported) should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA (as reported) in the same way, Adjusted EBITDA (as reported) as shown in this offering memorandum may not be comparable to similarly titled measures used by other companies. See *"Presentation of Financial Information"*.

For more information, see *"Presentation of Financial Information"*.

EBIT

EBIT (calculated as EBITDA (=reported EBITDA) minus amortization/depreciation/impairment) is not defined as a measure under IFRS. Therefore, EBIT should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBIT in the same way, EBIT as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. Following the implementation of IFRS 16, amortization/depreciation/impairment includes the amortization of the right-of-use-assets, which are the amortization charges representing the majority of rental expenses previously shown as other operating expense under IAS 17.

Financial Result

Our financial result represents our financial income and financial expenses, in accordance with IFRS 9. The position "financial income" mainly includes income from loans and receivables, income from currency exchange rate differences, and, following the implementation of IFRS 16, interest from compounding lease receivables. The position "financial expense" primarily includes expenses for financial liabilities at amortized costs and, following the implementation of IFRS 16, interest expense from compounding lease liabilities. In addition, the position includes expenses from currency exchange rate differences, expense for financial assets and liabilities at fair value, and the expense for non-controlling interest options.

Profit or Loss of the Period (Net Income)

Profit or loss of the period (net income) is calculated as EBT (earnings before taxes) less income taxes for the respective period.

Results of Operations

The following table shows our consolidated statements of profit or loss for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019 (audited)	2020 (€ millions)	2019* (unaudited)	2020
Sales	3,276.8	3,453.5	3,232.7	1,292.9	1,172.9
Cost of raw materials, consumables and supplies and merchandise	-1,838.9	-1,880.6	-1,795.3	-716.1	-659.9
Gross profit	1,438.0	1,572.9	1,437.4	576.8	513.0
Other operating income	284.5	295.8	241.0	94.4	78.9
Personnel expenses	-617.3	-642.7	-581.0	-172.9	-149.5
Other operating expenses	-903.5	-943.2	-641.0	-210.5	-225.5
Result from impairments on financial assets	0.0	-0.4	0.1	-0.2	0.0
EBITDA (=reported EBITDA)⁽¹⁾	201.7	282.5	456.5	287.6	217.0
Amortization/depreciation/impairment	-373.3	-136.6	-724.1	-101.4	-97.6
EBIT⁽²⁾	-171.6	145.9	-267.6	186.3	119.3
Financial income	33.4	58.9	50.3	12.8	87.9
Financial expenses	-125.0	-124.4	-249.6	-34.4	-41.8
Financial result	-91.6	-65.5	-199.3	-21.5	46.1
EBT	-263.2	80.5	-466.9	164.7	165.5
Income taxes	-27.0	-63.3	-50.2	-33.9	-25.7
Profit or loss for the period (Net Income)	-290.2	17.2	-517.0	130.8	139.7

* As restated.

- (1) EBITDA (=reported EBITDA) (calculated as total sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets) is not defined as a measure under IFRS. Therefore, EBITDA (=reported EBITDA) should be viewed as supplemental but not as a substitute for data from the consolidated statement of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA (=reported EBITDA) as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA (=reported EBITDA) as shown in the table above is unadjusted. See "Presentation of Financial Information".
- (2) EBIT (calculated as EBITDA (=reported EBITDA) minus amortization/depreciation/impairment) is not defined as a measure under IFRS. Therefore, EBIT should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, consolidated statements of financial position or consolidated cash flow statements determined in accordance with IFRS. Since not all companies define EBIT in the same way, EBIT as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBIT as shown in the table above is unadjusted. See "Presentation of Financial Information".

Sales

The following table shows, for the periods indicated, our total sales, as well as sales (net) (i.e., sales generated from third parties), intersegment sales and total sales broken down by segment:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019 (audited)	2020 (€ millions)	2019* (unaudited)	2020
Sales	3,276.8	3,453.5	3,232.7	1,292.9	1,172.9
Sales split by segments⁽¹⁾:					
Germany					
Sales (net)	1,157.2	1,289.1	1,270.4	480.9	453.0
Intersegment sales	67.4	48.6	52.5	13.2	19.7
Sales	1,224.6	1,337.8	1,322.9	494.1	472.7
France					
Sales (net)	758.6	767.1	688.0	309.1	287.3
Intersegment sales	0.0	0.0	0.8	0.0	0.0
Sales	758.6	767.1	688.8	309.1	287.3
South-Western Europe					
Sales (net)	1,047.7	1,051.5	929.8	369.4	312.3
Intersegment sales	0.0	0.0	0.0	0.0	0.0
Sales	1,047.7	1,051.5	929.8	369.4	312.3
Eastern Europe					
Sales (net)	313.3	345.8	344.5	133.5	120.2
Intersegment sales	0.0	0.0	0.0	0.0	0.0
Sales	313.4	345.8	344.5	133.5	120.2
Consolidation					
Sales (net)	0.0	0.0	0.0	0.0	0.0
Intersegment sales	-67.4	-48.6	-53.2	-13.2	-19.7
Sales	-67.4	-48.6	-53.2	-13.2	-19.7

(*) As restated.

(1) Segment sales (net) represent, for each segment, total sales generated from transactions with third parties outside the Group, while intersegment sales represent total sales generated from transactions with other segments of our Group.

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our total sales decreased by €120.0 million, or 9.3%, to €1,172.9 million as compared to €1,292.9 million in the first quarter 2019/2020, primarily due to partial or full lockdowns of our brick & mortar stores for various periods in some of the countries in which we operate, offset by record growth in e-commerce of 74.3%.

On a segment level, sales (net) of our German segment decreased by €27.9 million, or 5.8%, to €453.0 million in the first quarter 2020/2021 from €480.9 million in the first quarter 2019/2020, primarily due to the second lockdown of our brick & mortar stores in 2020, which occurred in the second half of December 2020.

Sales (net) of our French segment decreased by €21.8 million, or 7.1%, to €287.3 million in the first quarter 2020/2021 from €309.1 million in the first quarter 2019/2020, primarily due to the lockdown of our brick & mortar stores in November 2020, where stores could only be opened for click & collect.

Sales (net) of our South-Western Europe segment decreased by €57.1 million, or 15.5%, to €312.3 million in the first quarter 2020/2021 from €369.4 million in the first quarter 2019/2020, primarily due to the partial or full lockdowns of our brick & mortar stores in some of the countries in which we operate.

Sales (net) of our Eastern Europe segment decreased by €13.3 million, or 10.0%, to €120.2 million in the first quarter 2020/2021 from €133.5 million in the first quarter 2019/2020, primarily due to the partial or full lockdown of our brick & mortar stores in some of the countries in which we operate.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our total sales decreased by €220.8 million, or 6.4%, to €3,232.7 million as compared to €3,453.5 million in the financial year 2018/2019, primarily due to a decrease in

brick & mortar sales by €447.3 million as a result of the effects of the COVID-19 pandemic, which was partially offset by our immediate countermeasures to the COVID-19 pandemic and an increase in e-commerce sales by €237.4 million.

On a segment level, sales (net) of our German segment decreased by €18.7 million, or 1.5%, to €1,270.4 million in the financial year 2019/2020 from €1,289.1 million in the financial year 2018/2019, which is a proportionally smaller decrease than the overall Group average, primarily as our German segment has a higher share of e-commerce sales as compared to the Group average. While we lost market share in Germany to drugstores and pharmacies who could remain opened during national lockdowns, this was partially offset by strong performance thereafter.

Sales (net) of our French segment decreased by €79.1 million, or 10.3%, to €688.0 million in the financial year 2019/2020 from €767.1 million in the financial year 2018/2019, primarily due to the effects of the COVID-19 pandemic, which led to store closures during the national lockdown from mid-March 2020 until mid-May 2020.

Sales (net) of our South-Western Europe segment decreased by €121.7 million, or 11.6%, to €929.8 million in the financial year 2019/2020 from €1,051.5 million in the financial year 2018/2019, primarily due to the effects of the COVID-19 pandemic, which led to store closures during national lockdowns. Our South-Western Europe segment was the segment most affected by the COVID-19 pandemic, primarily due to the severe effects of the COVID-19 pandemic in Spain and Italy and the lengthy national lockdowns subsequently implemented in both countries.

Sales (net) of our Eastern Europe segment decreased by €1.3 million, or 0.4%, to €344.5 million in the financial year 2019/2020 from €345.8 million in the financial year 2018/2019, which is a proportionally smaller decrease than the overall Group average, primarily as there were shorter national lockdowns and as a result, less store closures in this segment.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our total sales increased by €176.7 million, or 5.4%, to €3,453.5 million as compared to €3,276.8 million in the financial year 2017/2018, primarily due to an increase in e-commerce sales by €160.8 million.

On a segment level, sales (net) of our German segment increased by €131.9 million, or 11.4%, to €1,289.1 million in the financial year 2018/2019 from €1,157.2 million in the financial year 2017/2018. This increase was attributable to our acquisition of Parfumdreams as well as the successful implementation of our #FORWARDBEAUTY strategy.

Sales (net) of our French segment increased by €8.5 million, or 1.1%, to €767.1 million in the financial year 2018/2019 from €758.6 million in the financial year 2017/2018. This increase was attributable to growth in our online business, including an increase of €1.6 million in click & collect which started to be allocated to the Group's online business in France from the financial year 2018/2019 onwards.

Sales (net) of our South-Western Europe segment increased by €3.8 million, or 0.4%, to €1,051.5 million in the financial year 2018/2019 from €1,047.7 million in the financial year 2017/2018. This increase was attributable to growth in our online business.

Sales (net) of our Eastern Europe segment increased by €32.5 million, or 10.4%, to €345.8 million in the financial year 2018/2019 from €313.3 million in the financial year 2017/2018. This increase was attributable to growth across brick & mortar stores and our online business in all of our operations in Eastern Europe.

Cost of Raw Materials, Consumables and Supplies and Merchandise

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our cost of raw materials, consumables and supplies and merchandise decreased by €56.2 million, or 7.8%, to €659.9 million as compared to €716.1 million in the first quarter 2019/2020, primarily due to a decrease in net sales as a consequence of COVID-19 lockdowns.

Expressed as a percentage of total sales, the ratio of our cost of raw materials, consumables and supplies and merchandise increased from 55.4% in the first quarter 2019/2020 to 56.3% in first quarter 2020/2021, primarily due to the higher share of our e-commerce that traditionally has a higher cost of sales ratio due to product mix and different levels of promotional activity.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our cost of raw materials, consumables and supplies and merchandise decreased by €85.3 million, or 4.5%, to €1,795.3 million as compared to €1,880.6 million in the financial year 2018/2019, primarily due to a decrease in sales.

Expressed as a percentage of total sales, the ratio of our cost of raw materials, consumables and supplies and merchandise increased from 54.5% in the financial year 2018/2019 to 55.5% in financial year 2019/2020. This development was mainly due to the shift from our higher-gross margin brick & mortar business to e-commerce as well as margin losses in our brick & mortar business mainly due to a shift in product mix towards skin care.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our cost of raw materials, consumables and supplies and merchandise increased by €41.7 million, or 2.3%, to €1,880.6 million as compared to €1,838.9 million in the financial year 2017/2018. This increase was due to the increase in net sales and was also impacted by reassortment adjustments and the associated impairment of inventories amounting to €21.8 million in the financial year 2018/2019 as a result of our new brand presence and an impairment of inventories of €87.0 million in the financial year 2017/2018. Furthermore, the line item was affected by purchase price allocations amounting to €3.8 million in the financial year 2018/2019 and €12.2 million in the financial year 2017/2018 respectively related to the cost of goods and services.

Expressed as a percentage of total sales, the ratio of our cost of raw materials, consumables and supplies and merchandise decreased from 56.1% in the financial year 2017/2018 to 54.5% in financial year 2018/2019, mainly driven by the above-mentioned inventory write off.

Other Operating Income

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our other operating income decreased by €15.5 million, or 16.4%, to €78.9 million as compared to €94.4 million in the first quarter 2019/2020, primarily due to lower marketing income driven by lower sales as a consequence of partial or full lockdowns due to COVID-19.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our other operating income decreased by €54.8 million, or 18.5%, to €241.0 million as compared to €295.8 million in the financial year 2018/2019, primarily due to a decrease in income from services rendered to third parties of €37.4 million in total (mainly driven by the impact of the sale of our former headquarter in Hagen in 2018/2019 as well as by lower sales and traffic in stores as a consequence of partial or full lockdowns due to COVID-19) as well as effects related to income from leasing and sub-leasing, referring to the first time application of IFRS 16 in the amount of €10.1 million, offset by an increase in other income of €10.5 million.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our other operating income increased by €11.3 million, or 4.0%, to €295.8 million as compared to €284.5 million in the financial year 2017/2018, primarily due to income services rendered to third parties (increased by €21.7 million) and income from the disposal of assets (increased by €8.9 million), partially offset by the decrease in income from the reversal of provisions of €13.6 million.

Personnel Expenses

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our personnel expenses decreased by €23.4 million, or 13.5%, to €149.5 million as compared to €172.9 million in the first quarter 2019/2020, primarily due to the impacts from lockdown due to COVID-19 (usage of short-time work, less full time employees on the floor in stores due to lower traffic) and, to a lesser extent, less stores in our network.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our personnel expenses decreased by €61.7 million, or 9.6%, to €581.0 million as compared to €642.7 million in the financial year 2018/2019, primarily due to the use of short-term labor programs and the implementation of a hiring freeze. As a percentage of total sales, personnel expenses accounted for 18.0% in the financial year 2019/2020 as compared to the financial year 2018/2019 with 18.6%.

Personnel expenses in the financial year 2019/2020 were impacted by the COVID-19 pandemic costs including personnel-related vacancy costs, store optimization costs, purchase price allocations, and restructuring and other costs

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our personnel expenses increased by €25.4 million, or 4.1%, to €642.7 million as compared to €617.3 million in the financial year 2017/2018, primarily due to our acquisition of Parfumdreams and the expansion of our business. As a percentage of total sales, personnel expenses accounted for 18.6% and slightly improved as compared to the financial year 2017/2018 with 18.8%.

Personnel expenses in the financial year 2018/19 were again impacted by restructuring costs, severance payments and other effects.

Other Operating Expenses

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our other operating expenses increased by €15.0 million, or 7.1%, to €225.5 million as compared to €210.5 million in the first quarter 2019/2020, primarily due to higher goods handling costs due to an increase in e-commerce.

Expressed as a percentage of total sales, our other operating expenses increased from 16.3% in the first quarter 2019/2020 to 19.2% in the first quarter 2020/2021.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our other operating expenses decreased by €302.2 million, or 32.0%, to €641.0 million as compared to €943.2 million in the financial year 2018/2019, primarily due to the first-time application of IFRS 16, according to which the majority of rental expenses are no longer shown as other operating expenses but reclassified as amortization of lease right-of-use assets in the amount of €288.1 million. The decrease was partially netted by increased e-commerce-driven logistic costs and higher net marketing.

Expressed as a percentage of total sales, our other operating expenses decreased from 27.3% in the financial year 2018/2019 to 19.8% in financial year 2019/2020, primarily due to the first-time application of IFRS 16. Absent the first-time application of IFRS 16, other operating expenses expressed as a percentage of sales would have increased to 28.7% in financial year 2019/2020.

The effect of the first-time application of IFRS 16 of €288.1 million was partially offset by other extraordinary effects during the period including fees for consulting services and financial effects related to the COVID-19 pandemic.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our other operating expenses increased by €39.7 million, or 4.4%, to €943.2 million as compared to €903.5 million in the financial year 2017/2018, primarily due to our acquisition of Parfumdreams and the expansion of our business.

Expressed as a percentage of total sales, the ratio of our other operating expenses decreased to 27.3% in the financial year 2018/2019 from 27.6% in financial year 2017/2018. Other operating expenses in the financial year 2018/2019 included non-recurring items, such as consulting services, integration costs associated with acquisitions and expenses associated with our new brand presence.

EBITDA (=reported EBITDA)

The following table shows, for the periods indicated, our EBITDA (=reported EBITDA) and Adjusted EBITDA (as reported) broken down by segment:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019	2020	2019*	2020
	(audited)			(unaudited)	
	(€ millions)				
EBITDA (=reported EBITDA)	201.7	282.5	456.5	287.6	217.0
EBITDA margin (in %)	6.2	8.2	14.1	22.2	18.5
Key performance indicator to be adjusted ⁽¹⁾	–	282.5	178.6	215.1	148.4
Management adjustments ⁽²⁾	174.7	68.4	113.7	4.3	28.8
Adjusted EBITDA (as reported)	376.4	350.9	292.3	219.4	177.3
Adjusted EBITDA (as reported) margin (in %)	11.5	10.2	9.0	17.0	15.1
Split by segments:					
Germany					
EBITDA (=reported EBITDA)	46.8	57.2	109.3	90.2	59.5
EBITDA margin (in %)	4.0	4.4	8.6	18.8	13.1
Key performance indicator to be adjusted ⁽¹⁾	–	57.2	20.4	66.0	37.8
Management adjustments ⁽²⁾	73.9	38.6	48.8	0.0	17.2
Adjusted EBITDA (as reported)	120.7	95.8	69.2	66.1	55.0
Adjusted EBITDA (as reported) margin (in %)	10.4	7.4	5.4	13.7	12.1
France					
EBITDA (=reported EBITDA)	115.8	108.8	141.6	76.5	68.0
EBITDA margin (in %)	15.3	14.2	20.6	24.8	23.7
Key performance indicator to be adjusted ⁽¹⁾	–	108.8	96.4	65.7	56.2
Management adjustments ⁽²⁾	3.6	6.6	15.1	2.4	2.7
Adjusted EBITDA (as reported)	119.4	115.3	111.5	68.1	58.9
Adjusted EBITDA (as reported) margin (in %)	15.7	15.0	16.2	22.0	20.5
South-Western Europe					
EBITDA (=reported EBITDA)	-4.6	70.9	130.2	84.9	57.8
EBITDA margin (in %)	-0.4	6.7	14.0	23.0	18.5
Key performance indicator to be adjusted ⁽¹⁾	–	70.9	17.9	56.0	31.8
Management adjustments ⁽²⁾	95.5	21.2	45.3	1.2	5.8
Adjusted EBITDA (as reported)	90.9	92.1	63.3	57.2	37.6
Adjusted EBITDA (as reported) margin (in %)	8.7	8.8	6.8	15.5	12.0
Eastern Europe					
EBITDA (=reported EBITDA)	44.7	45.1	74.4	35.8	31.9
EBITDA margin (in %)	14.3	13.0	21.6	26.8	26.6
Key performance indicator to be adjusted ⁽¹⁾	–	45.1	42.9	27.3	23.0
Management adjustments ⁽²⁾	1.7	2.1	4.4	0.6	3.2
Adjusted EBITDA (as reported)	46.4	47.1	47.3	27.9	26.2
Adjusted EBITDA (as reported) margin (in %)	14.8	13.6	13.7	20.9	21.8
Consolidation					
EBITDA (=reported EBITDA)	-0.9	0.7	1.0	0.2	-0.3
EBITDA margin (in %)	–	–	–	–	–
Key performance indicator to be adjusted ⁽¹⁾	–	0.7	1.0	0.2	-0.3
Management adjustments ⁽²⁾	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA (as reported)	-0.9	0.7	1.0	0.2	-0.3
Adjusted EBITDA (as reported) margin (in %)	–	–	–	–	–

(*) As restated.

(1) Represents EBITDA (=reported EBITDA) as adjusted for lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16.

(2) Management adjustments primarily relate to those items which, in the opinion and decision of the management of the Parent, are non-regularly recurring, exceptional or unsuitable for internal control, such as credit card fees, purchase price allocations, restructuring costs and severance payments, consulting fees and other adjustments.

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our EBITDA (=reported EBITDA) decreased by €70.6 million, or 24.5%, to €217.0 million from €287.6 million in the first quarter 2019/2020, primarily due to a lower net sales as a consequence of lockdowns while fixed costs in stores could only partially be mitigated. Accordingly, our

Adjusted EBITDA decreased by €42.1 million, or 19.2%, to €177.3 million in the first quarter 2020/2021 from €219.4 million in the first quarter 2019/2020 primarily due to lockdowns that resulted in the partial or full closure of stores. Adjusted for the reversal of credit card fees, which totaled €6.0 million and €6.1 million in the first quarter 2019/2020 and the first quarter 2020/2021, respectively, our Adjusted EBITDA (as reported) decreased by €42.2 million, or 19.8% from €213.4 million in the first quarter 2019/2020 to €171.2 million in the first quarter 2020/2021.

On a segment level, EBITDA (=reported EBITDA) of our German segment decreased by €30.7 million, or 34.0%, to €59.5 million in the first quarter 2020/2021 from €90.2 million in the first quarter 2019/2020 primarily due to the full closure of stores due to a second lockdown from the middle of December 2020 onwards. Adjusted EBITDA (as reported) of our German segment decreased by €11.1 million, or 16.8%, to €55.0 million in the first quarter 2020/2021 from €66.1 million in the first quarter 2019/2020. Adjustments relating to our German segment in the first quarter 2020/2021 totaled €17.2 million and related primarily to COVID-19 related adjustments of idle personnel and rent costs as well as to consulting fees for our SOP and purchase price adjustments related to our acquisition of Parfumdreams, whereas we recorded a net value of zero for adjustments as cost adjustments balance with one-off income in the first quarter 2019/2020.

EBITDA (=reported EBITDA) of our French segment decreased by €8.5 million, or 11.1%, to €68.0 million in the first quarter 2020/2021 from €76.5 million in the first quarter 2019/2020 primarily due to lower sales due to lockdowns in November 2020 when stores could only be open for click & collect. Adjusted EBITDA (as reported) of our French segment decreased by €9.2 million, or 13.5%, to €58.9 million in the first quarter 2020/2021 from €68.1 million in the first quarter 2019/2020. Adjustments relating to our French segment in the first quarter 2020/2021 totaled €2.7 million and related primarily credit card fees, whereas in the first quarter 2019/2020 adjustments totaled €2.4 million and related primarily to credit card fees.

EBITDA (=reported EBITDA) of our South-Western Europe segment decreased by €27.1 million, or 31.9%, to €57.8 million in the first quarter 2020/2021 from €84.9 million in the first quarter 2019/2020 primarily due to lower brick & mortar sales in Italy and Spain, as these two countries were most severely hit by COVID-19 restrictions, and due to the onset of winter in Spain. Adjusted EBITDA (as reported) of our South-Western Europe segment decreased by €19.6 million, or 34.3%, to €37.6 million in the first quarter 2020/2021 from €57.2 million in the first quarter 2019/2020. Adjustments relating to our South-Western Europe segment in the first quarter 2020/2021 totaled €5.8 million and related primarily to COVID-19 related adjustments of personnel and rent expenses, whereas in the first quarter 2019/2020 adjustments totaled €1.2 million and related primarily to credit card fees.

EBITDA (=reported EBITDA) of our Eastern Europe segment decreased by €3.9 million, or 10.9%, to €31.9 million in the first quarter 2020/2021 from €35.8 million in the first quarter 2019/2020 primarily due to lower sales due to partial or full lockdowns in Eastern Europe, particularly in Poland, Czech Republic and Slovakia. Adjusted EBITDA (as reported) of our Eastern Europe segment decreased by €1.7 million, or 6.1%, to €26.2 million in the first quarter 2020/2021 from €27.9 million in the first quarter 2019/2020. Adjustments relating to our Eastern Europe segment in the first quarter 2020/2021 totaled €3.2 million and related primarily to COVID-19 related adjustments of idle costs for personnel and rent expenses due to lockdowns, whereas in the first quarter 2019/2020, adjustments totaled €0.6 million.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our EBITDA (=reported EBITDA) increased by €174.0 million, or 61.6%, to €456.5 million from €282.5 million in the financial year 2018/2019, primarily due to the first-time application of IFRS 16 with an effect of €278.0 million representing lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16. Our Adjusted EBITDA (as reported) decreased by €58.6 million, or 16.7%, to €292.3 million in the financial year 2019/2020 from €350.9 million in the financial year 2018/2019 primarily due to the COVID-19 pandemic, which resulted in a decrease of our brick & mortar sales from brick & mortar stores, coupled with our brick & mortar fixed costs, in particular related to our brick & mortar stores. In addition, margin across the Group also decreased by a drop in make up share of net sales (our highest margin product group) and an increase in fragrances share of net sales (our lowest margin product group), and we also conducted promotions in certain countries in order to maintain our competitive position, which led to a lower margin. Adjusted for the reversal of credit card fees and bad debt, which totaled €16.1 million and €14.9 million in the financial year 2018/2019 and the financial year 2019/2020, respectively, our Adjusted EBITDA decreased by €57.4 million, or 17.1% from €334.8 million in the financial year 2018/2019 to €277.4 million in the financial year 2019/2020.

On a segment level, EBITDA (=reported EBITDA) of our German segment increased by €52.1 million, or 91.1%, to €109.3 million in the financial year 2019/2020 from €57.2 million in the financial year 2018/2019 primarily due to the first-time application of IFRS 16 with an effect of €88.9 million representing lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16 as well as inventory impairments, offset by lower sales due to COVID-19 lockdowns. Adjusted EBITDA (as

reported) of our German segment decreased by €26.6 million, or 27.8%, to €69.2 million in the financial year 2019/2020 from €95.8 million in the financial year 2018/2019. Adjustments relating to our German segment in the financial year 2019/2020 totaled €48.8 million and related primarily to the COVID-19 pandemic as well as consulting fees.

EBITDA (=reported EBITDA) of our French segment increased by €32.8 million, or 30.1%, to €141.6 million in the financial year 2019/2020 from €108.8 million in the financial year 2018/2019 primarily due to the first-time application of IFRS 16 with an effect of €45.2 million representing lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16, offset by lower sales due to COVID-19 lockdowns. Adjusted EBITDA (as reported) of our French segment decreased by €3.8 million, or 3.3%, to €111.5 million in the financial year 2019/2020 from €115.3 million in the financial year 2018/2019. Adjustments relating to our French segment in the financial year 2019/2020 totaled €15.1 million and related primarily to the COVID-19 pandemic and credit card fees.

EBITDA (=reported EBITDA) of our South-Western Europe segment increased by €59.3 million, or 83.6%, to €130.2 million in the financial year 2019/2020 from €70.9 million in the financial year 2018/2019 primarily due to the first-time application of IFRS 16 with an effect of €112.3 million representing lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16, offset by lower sales due to COVID-19 lockdowns. Adjusted EBITDA (as reported) of our South-Western Europe segment decreased by €28.8 million, or 31.3%, to €63.3 million in the financial year 2019/2020 from €92.1 million in the financial year 2018/2019. Adjustments relating to our South-Western Europe segment in the financial year 2019/2020 totaled €45.3 million and related primarily to the COVID-19 pandemic and restructuring and optimization expenses in connection with the realignment of the store network.

EBITDA (=reported EBITDA) of our Eastern Europe segment increased by €29.3 million, or 65.0%, to €74.4 million in the financial year 2019/2020 from €45.1 million in the financial year 2018/2019 primarily due to the first-time application of IFRS 16 with an effect of €31.6 million representing lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16, offset by lower sales due to COVID-19 lockdowns. Adjusted EBITDA (as reported) of our Eastern Europe segment increased by €0.2 million, or 0.4%, to €47.3 million in the financial year 2019/2020 from €47.1 million in the financial year 2018/2019. Adjustments relating to our Eastern Europe segment in the financial year 2019/2020 totaled €4.4 million and related primarily to the COVID-19 pandemic and credit card fees.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our EBITDA (=reported EBITDA) increased by €80.8 million, or 40.1%, to €282.5 million from €201.7 million in the financial year 2017/2018, primarily due to inventory write-offs of €87.0 million in the financial year 2017/2018. Our Adjusted EBITDA (as reported) decreased by €25.5 million, or 6.8%, to €350.9 million in the financial year 2018/2019 from €376.4 million in the financial year 2017/2018 primarily due to a lower gross profit margin that resulted from having to defend our leading market position due to the highly competitive market conditions in certain countries where we operate as well as lower reversals of provisions from our operations. Adjusted for the reversal of credit card fees and bad debt, which totaled €13.6 million and €16.1 million in the financial year 2017/2018 and the financial year 2018/2019, respectively, our Adjusted EBITDA decreased by €28.0 million, or 7.7% from €362.8 million in the financial year 2017/2018 to €334.8 million in the financial year 2018/2019.

On a segment level, EBITDA (=reported EBITDA) of our German segment increased by €10.4 million, or 22.2%, to €57.2 million in the financial year 2018/2019 from €46.8 million in the financial year 2017/2018 primarily due to inventory write-offs in the financial year 2017/2018. Adjusted EBITDA (as reported) of our German segment decreased by €24.9 million, or 20.6%, to €95.8 million in the financial year 2018/2019 from €120.7 million in the financial year 2017/2018. Adjustments relating to our German segment in the financial year 2018/2019 totaled €38.6 million and related primarily to impairment of inventories, restructuring and severance payments, credit card fees as well as proceeds from the sale of our former headquarter property in Hagen, which had an opposing effect, whereas in the financial year 2017/2018 adjustments totaled €73.9 million and related primarily to the impairment of inventories (including impairments related to rebranding), consulting expenses, restructuring and severance payments as well as one-off costs related to our new brand presence.

EBITDA (=reported EBITDA) of our French segment decreased by €7.0 million, or 6.0%, to €108.8 million in the financial year 2018/2019 from €115.8 million in the financial year 2017/2018 primarily due to business growth not being sufficient to compensate for increased fixed costs, despite stable gross margin. The Adjusted EBITDA (as reported) of our French segment decreased by €4.1 million, or 3.4%, to €115.3 million in the financial year 2018/2019 from €119.4 million in the financial year 2017/2018. Adjustments relating to our French segment in the financial year 2018/2019 totaled €6.6 million and in the financial year 2017/2018 totaled €3.6 million, in each case related primarily to credit card fees with the financial year 2018/2019.

EBITDA (=reported EBITDA) of our South-Western Europe segment increased to €70.9 million in the financial year 2018/2019 from €-4.6 million in the financial year 2017/2018 primarily due to an inventory write-off in financial year 2017/2018. The Adjusted EBITDA (as reported) of our South-Western Europe segment increased by €1.2 million, or 1.3%, to €92.1 million in the financial year 2018/2019 from €90.9 million in the financial year 2017/2018. Adjustments relating to our South-Western Europe segment in the financial year 2018/2019 totaled €21.2 million and related primarily to non-recurring expenses in connection with the integration and restructuring of our acquired businesses in Spain and Italy, whereas in the financial year 2017/2018 adjustments totaled €95.5 million and related primarily to non-recurring expenses in connection with the integration and restructuring of our acquired businesses in Spain and Italy as well as our new brand presence and related assortment integration adjustments.

EBITDA (=reported EBITDA) of our Eastern Europe segment increased by €0.4 million, or 0.9%, to €45.1 million in the financial year 2018/2019 from €44.7 million in the financial year 2017/2018 primarily due to topline sales growth. Adjusted EBITDA (as reported) of our Eastern Europe segment increased by €0.7 million, or 1.5%, to €47.1 million in the financial year 2018/2019 from €46.4 million in the financial year 2017/2018. Adjustments relating to our Eastern Europe segment in the financial year 2018/2019 totaled €2.1 million and in the financial year 2017/2018 totaled €1.7 million, in each case related primarily to credit card fees.

EBIT

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our EBIT decreased by €67.0 million, or 36.0%, to €119.3 million from €186.3 million in the first quarter 2019/2020, primarily due to COVID-19 related lockdowns (lower net sales and fixed costs in stores only partially mitigated).

Expressed as a percentage of total sales, our EBIT decreased from 14.4% in the first quarter 2019/2020 to 10.2% in the first quarter 2020/2021.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our EBIT decreased by €413.5 million to €-267.6 million from €145.9 million in the financial year 2018/2019, primarily due to impairment losses on goodwill (€157.0 million in Germany, €116.3 million in South-Western Europe and €6.4 million in Eastern Europe), the effects of the COVID-19 pandemic and the first-time application of IFRS 16 with an effect of €12.6 million.

Expressed as a percentage of total sales, our EBIT decreased from 4.2% in the financial year 2018/2019 to -8.3% in the financial year 2019/2020.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our EBIT increased by €317.5 million to €145.9 million from €-171.6 million in the financial year 2017/2018, primarily due to impairment expenses on goodwill in the previous financial year 2017/18 as well as to higher EBITDA.

Expressed as a percentage of total sales, our EBIT increased to 4.2% in the financial year 2018/2019.

Financial Result

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our financial result increased by €67.6 million to €46.1 million as compared to €-21.5 million in the first quarter 2019/2020, primarily due to the reversal from impairment of a loan receivable versus TopCo of €75.5 million.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our financial result decreased by €133.8 million to €-199.3 million as compared to €-65.5 million in the financial year 2018/2019, due to result from impairments on financial assets of €91.8 million, primarily due to the valuation effects of loan receivables versus TopCo, and to interest expense from compounding lease liabilities of €24.8 million from the first-time application of IFRS 16.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our financial result increased by €26.1 million, or 28.5%, to €-65.5 million as compared to €-91.6 million in the financial year 2017/2018, primarily due to the increase of

interest from loans and receivables by €13.3 million and results from impairments on financial assets amounting to €11.9 million (the reversal of an impairment allowance), both relating to loan receivables due versus TopCo.

Profit or Loss for the Period (Net Income)

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our profit or loss for the period (net income) increased by €8.9 million, or 6.8%, to €139.7 million as compared to €130.8 million in the first quarter 2019/2020, primarily due to the improvement of the financial result (the reversal from impairment on financial assets of €75.5 million).

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our profit or loss for the period (net income) decreased by €534.2 million to a loss of the period of €517.0 million as compared to a profit of the period of €17.2 million in the financial year 2018/2019, primarily due to a decrease in "Key performance indicator to be adjusted" of €103.9 million due to the COVID-19 pandemic, goodwill impairment losses of €279.7 million, the result from impairments on financial assets valuation effects of the loan receivables due versus TopCo of €91.8 million and the first-time application of IFRS 16 with an effect of €40.3 million representing lease expenses and income previously recognized under former IAS 17 that must be capitalized in accordance with IFRS16.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019, our profit or loss for the period (net income) increased to €17.2 million as compared to a loss of the period of €290.2 million in the financial year 2017/2018, primarily due to lower negative inventory valuation effects, lower goodwill impairment losses of €184.5 million and higher financial income of €25.5 million, partially offset by higher income taxes of €36.3 million.

Liquidity and Capital Resources

Overview

Our business has required, and will continue to require, liquidity primarily to meet our debt service requirements, to fund capital expenditures, to fund our operating activities, to pay our taxes and to fund our working capital requirements.

Historically, our principal sources of liquidity have been cash generated from our operating activities and cash on our balance sheet and if needed, drawings under our existing revolving credit facility. Following the Transaction, we anticipate that our primary sources of liquidity will be cash flow from operations and drawings under our Revolving Credit Facility. Our ability to generate cash from our operating activities depends on future operating performance, which in turn depends to a certain extent on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "Risk Factors." We believe that our cash flow from operating activities, cash on hand the availability of borrowings under our Revolving Credit Facility (which will be subject to certain conditions precedent) will be sufficient to fund our operating, capital expenditures and debt service for at least the next twelve months. See "Description of Certain Financing Arrangements—Senior Secured Facilities Agreement."

However, given that the COVID-19 situation continues to evolve, there exists a material uncertainty related to events or conditions that may cast significant doubt about our ability to continue as a going concern. The COVID-19 pandemic has had and continues to have a substantial impact on our business, primarily due to the temporary closure of the majority of our stores for periods throughout 2020. See "Risk Factors—Risks Relating to Our Market Environment and Business - As a result of the impact of the COVID-19 pandemic, there is material uncertainty about our ability to continue as a going concern", "Risk Factors—Risks Relating to Our Market Environment and Business - The outbreak of the coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations" and Note 2 of our audited consolidated financial statements for the financial year 2019/2020. Our ability to forecast our pace of recovery from the effects of the COVID-19 pandemic, the eventual levels to which our results of operations will return as well as our cash flows are dependent on the re-opening of our stores, any future government-imposed restrictions or lockdowns in the countries where we operate that result in further store closures as well as developments that could offset the effects of store closures such as the continued shift towards online retailing as well as the optimization of our store network through our SOP. If one or more of our assumptions in making our assessment to report as a going concern are found to be incorrect, we may be unable to continue as a going concern.

The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt.

We anticipate that we will be highly leveraged in the foreseeable future. Our high level of debt may have important negative consequences for you. See *"Risk Factors."* There are also limitations on our ability to obtain additional debt or equity financing. See *"Description of the Senior Secured Notes—Certain Covenants—Limitation on Indebtedness"* and *"Description of the Senior PIK Notes—Certain Covenants—Limitation on Indebtedness"*. In addition, any additional indebtedness that we do incur could reduce the amount of our cash flow available to make payments on our then existing indebtedness, including the Notes offered hereby, and increase our leverage.

Consolidated Statement of Cash Flows

The following table shows our consolidated statements of cash flows for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019	2020	2019*	2020
	(audited)	(€ millions)	(unaudited)	(unaudited)	
Profit or loss of the period (Net Income)	-290.2	17.2	-517.0	130.8	139.7
Income taxes	27.0	63.3	50.2	33.9	25.7
Financial result	91.6	65.5	199.3	21.5	-46.1
Amortization/depreciation/impairment	373.3	136.6	724.1	101.4	97.6
EBITDA (=reported EBITDA)⁽¹⁾	201.7	282.5	456.5	287.6	217.0
Increase/decrease in provisions	-22.9	29.4	5.8	-6.4	-12.7
Other non-cash expense/income	0.7	-7.2	-5.7	0.4	0.3
Loss/profit on the disposal of non-current assets	-1.2	-10.1	0.1	—	—
Changes in net working capital without liabilities from investments in non-current assets	-9.1	-39.7	41.9	73.1	73.9
Changes in other assets and liabilities not classifiable to investing or financing activities	-8.8	-5.3	16.1	67.5	82.0
Paid/reimbursed taxes	-31.3	-51.4	-21.1	-6.8	-6.0
Net cash flow from operating activities	129.0	198.3	493.6	415.4	354.5
Proceeds from the disposal of non-current assets	3.5	25.1	2.3	0.1	0.3
Investments in non-current assets	-94.8	-128.0	-107.8	-31.1	-27.5
Payments for the acquisition of consolidated companies and other business units	-298.3	-3.5	0.0	—	—
Net cash flow from investing activities	-389.5	-106.4	-105.5	-31.1	-27.3
Free cash flow⁽²⁾	-260.5	91.9	388.2	384.4	327.2
Payments for the repayment of financial liabilities	-12.9	-5.2	-258.4	-84.0	-105.7
Proceeds from borrowings	307.9	3.1	181.6	1.1	9.8
Interest paid	-109.1	-111.6	-135.6	-20.3	-28.3
Interest received	—	0.0	0.2	0.1	0.1
Payments for the acquisition of derivative financial instruments	-0.7	0.0	—	—	—
Net cash flow from financing activities	185.3	-113.6	-212.2	-103.3	-124.2
Net change in cash and cash equivalents⁽³⁾	-75.3	-21.8	176.0	281.2	203.0
Net change in cash and cash equivalents due to currency translation	-0.2	-0.1	-0.7	0.2	-0.2
Cash and cash equivalents at the beginning of the reporting period	178.4	102.9	81.0	81.0	256.3
Cash and cash equivalents as of end of the reporting period	102.9	81.0	256.3	362.4	459.1

(*) As restated.

(1) EBITDA (=reported EBITDA) (calculated as total sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus the result from impairments on financial assets) is not defined as a measure under IFRS. Therefore, EBITDA (=reported EBITDA) should be viewed as supplemental but not as a substitute for data from the consolidated statements of profit or loss, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA (=reported EBITDA) as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted. See *"Presentation of Financial Information"*.

(2) Free cash flow is defined as the sum of the net cash flow from operating activities and the net cash flow from investing activities.

(3) Net change in cash and cash equivalents is defined as the aggregate of net cash flow from operating activities, net cash flow from investing activities and net cash flow from financing activities.

Net Cash Flow from Operating Activities

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021 our net cash flow from operating activities decreased by €60.9 million, or 14.7%, to €354.5 million as compared to €415.4 million in the first quarter 2019/2020. This decrease is predominantly attributed to a decrease in EBITDA (=reported EBITDA) of €70.6 million and a higher decrease in provisions of €12.7 million compared to €6.4 million in the first quarter of financial year 2019/2020 primarily due to payment time-shifts. This decrease was partially offset by an increase in changes in other assets and liabilities not classifiable to investing or financing activities of €14.5 million, mainly resulting from changed payment terms regarding personnel liabilities (wages and income/church tax).

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020 our net cash flow from operating activities increased by €295.3 million to €493.6 million as compared to €198.3 million in the financial year 2018/2019. This increase was predominantly attributed to an increase in EBITDA (=reported EBITDA) to €456.5 million in financial year 2019/2020 from €282.5 million in financial year 2018/2019 due to the first-time application of IFRS 16 in the amount of €278.0 million (representing lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16), changes in net working capital without liabilities from investments in non-current assets amounting to €41.9 million in the financial year 2019/2020 compared to €-39.7 million in the financial year 2018/2019 and an increase in changes in other assets and liabilities not classifiable to investing or financing activities to €16.1 million in the financial year 2019/2020 compared to €-5.3 million in the financial year 2018/2019 primarily due to higher VAT and rent liabilities resulting from longer payment terms agreed with lessors and moratoriums for taxes. This increase was partly offset by an increase in provisions of €5.8 million in the financial year 2019/2020 compared to the previous year and an increase in provisions of €29.4 million in the financial year 2018/2019 compared to the previous year.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/19 our net cash flow from operating activities increased by €69.3 million, or 53.7%, to €198.3 million as compared to €129.0 million in the financial year 2017/2018. This increase was predominantly attributed to an increase in EBITDA (=reported EBITDA) by €80.8 million and an increase in provisions of €29.4 million compared to a decrease in provisions of €22.9 million in the financial year 2017/2018, partly offset by changes in net working capital without liabilities from investments in non-current assets of €-39.7 million compared to €-9.1 million in the financial year 2017/2018 and paid taxes of €51.4 million in the financial year 2018/2019 compared to €31.3 million in the financial year 2017/2018.

Net Cash Flow from Investing Activities

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021 our net cash flow from investing activities increased by €3.8 million, or 12.2%, to an outflow of €27.3 million, as compared to an outflow of €31.1 million in the first quarter 2019/2020. This decrease was primarily due to saving measures performed in light of the second wave of COVID-19.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020 our net cash flow from investing activities remained relatively stable at an outflow of €105.5 million, as compared to an outflow of €106.4 million in the financial year 2018/2019. Cash outflow in the financial year 2018/2019 was attributable to our acquisition of the 51.0% interest in Niche Beauty amounting to €3.5 million and investments in non-current assets like store furniture and equipment amounting to €128.0 million and was partially offset by proceeds from the sale of our former headquarters in Hagen amounting to €23.2 million. Cash outflow in the financial year 2019/2020 was primarily attributable to investments in non-current assets like store furniture and software amounting to €107.8 million.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019 our net cash flow from investing activities decreased by €283.1 million, or 72.7%, to an outflow of €106.4 million, as compared to an outflow of €389.5 million in the financial year 2017/2018. The cash outflow in financial year 2017/2018 primarily related to payments for the acquisition of consolidated companies and other business units in the amount of €298.3 million relating to the acquisitions of Limoni and La Gardenia, Parfumerias If and Parfumdreams as well as investments in non-current assets like store furniture and equipment, which amounted to an outflow of €94.8 million in the financial year 2017/2018.

The higher cash outflows were primarily related to investments in non-current assets made shortly before the balance sheet date of the financial year 2017/2018, in connection with the opening and acquisition of new stores and investments in the design and re-design of existing stores, especially relating to the rollout of our new visual brand language and logo.

Net Cash Flow from Financing Activities

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021, our net cash flow from financing activities decreased by €20.9 million, or 20.2%, to an outflow of €124.2 million as compared to an outflow of €103.3 million in the first quarter 2019/2020, mainly due to the payments for the repayment of financial liabilities, including the repayment of amounts drawn under our existing revolving credit facility of €30.2 million, partly offset by repayments of contingent consideration liabilities of €15.0 million in the financial year 2019/2020 related to the acquisition of Limoni and La Gardenia.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020, our net cash flow from financing activities decreased by €98.6 million to an outflow of €212.2 million as compared to an outflow of €113.6 million in the financial year 2018/2019, primarily due to the first time application of IFRS 16, which resulted in the line item payments for the repayment of financial liabilities amounting to €258.4 million, representing the reclassification of rental expenses, and interest paid of €135.6 million, partially offset by our drawing of our existing revolving credit facility and ancillary facilities in the amount of €165.5 million.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019 our net cash flow from financing activities decreased by €298.9 million to an outflow of €113.6 million as compared to an inflow of €185.3 million in the financial year 2017/2018. The cash inflow in the financial year 2017/2018 was mainly due to the drawing of an additional €300.0 million under the Existing Senior Secured Facilities Agreement.

Net Working Capital

The following table summarizes our net working capital development for the periods indicated:

	Financial year ended September 30,			Three months ended December 31,	
	2018	2019	2020	2019*	2020
		(audited)	(€ millions)	(unaudited)	
Inventories	756.0	744.4	738.6	802.7	768.9
Trade accounts receivable	47.2	45.7	37.6	75.9	56.8
Trade accounts payable	-565.5	-487.0	-503.5	-713.2	-670.4
Other	-6.4	-16.2	-24.4	62.5	32.6
Net Working Capital	231.3	286.9	248.3	227.9	187.9

(*) As restated.

Comparison of the First Quarters 2020/2021 and 2019/2020

In the first quarter 2020/2021 our net working capital decreased by €40 million, or 17.5%, to €187.9 million from €227.9 million in the first quarter 2019/2020, primarily due to strong limit control and subsequent inventory decline as well as lower trade accounts receivable and trade accounts payable as a result of a reduction of sales due to the COVID-19 pandemic.

Comparison of the Financial Years 2019/2020 and 2018/2019

In the financial year 2019/2020 our net working capital decreased by €38.6 million, or 13.5%, to €248.3 million from €286.9 million in the financial year 2018/2019. The decrease in net working capital was mainly driven by a decrease in inventory, an increase in trade accounts payable and voucher liabilities as a result of longer agreed payment terms with suppliers. Despite the COVID-19 pandemic, we have successfully managed our inventory through both our e-commerce channel and store channel, as well as various categories of our beauty products, and achieved a decrease in our inventory.

Comparison of the Financial Years 2018/2019 and 2017/2018

In the financial year 2018/2019 our net working capital increased by €55.6 million, or 24.0%, to €286.9 million from €231.3 million in the financial year 2017/2018. The increase in net working capital was

mainly driven by a €78.5 million decrease in trade accounts payable, resulting from timing effects and additions in non-current assets recognized near to the balance sheet date of financial year 2017/2018 but paid in the financial year 2018/2019. This increase was partially offset by a €11.6 million decrease in inventories and a €9.8 million decrease in other, related to less supplier bonus receivables and higher outstanding voucher liabilities.

Investments and Capital Expenditures

The investments we made in the periods under review mainly relate to (i) acquisitions of businesses as well as (ii) capital expenditures which we define as additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening of new stores, the refurbishment of existing stores, and the IT investment needed to maintain and grow our business) (in each case irrespective of whether the respective payments were effected in the period indicated).

The main source of our historic, on-going and future investments has been, is and is expected to continue to be, with respect to on-going capital expenditures, the positive cash flow from operating activities and, with respect to acquisition of businesses, additional acquisition financing.

On-Going and Future Investments

In the first quarter of 2020/2021, we recorded accounting capital expenditures for investments in the amount of €15.2 million of which €5.5 million related to stores and €4.8 million related to e-commerce. Of the capital expenditures for investments, €8.6 million related to Germany, €1.6 million to France, €2.0 million to South-Western Europe and €3.0 million to Eastern Europe.

Between December 31, 2020 and the date of this offering memorandum, we have continued to incur capital expenditures mainly related to necessary investments in stores, e-commerce and IT-infrastructure. Other than that, we have not made any significant investments.

On-going investments predominantly relate to IT-infrastructure for our e-commerce business as well as refurbishment of our stores. Other than that, we have not decided on any significant future investments.

Investments in the Financial Years 2019/2020, 2018/2019 and 2017/2018

In the financial year 2019/2020 we recorded investments of €105.4 million, mainly related to store and e-commerce IT and other IT infrastructure. Of such capital expenditures, €55.3 million related to Germany, €15.8 million related to France, €20.9 million to South-Western Europe and €13.4 million to Eastern Europe.

In the financial year 2018/2019 we recorded investments of €108.6 million, mainly related to store and e-commerce IT and other IT infrastructure. Of such capital expenditures, €50.8 million related to Germany, €18.5 million related to France, €23.3 million to South-Western Europe and €16.1 million to Eastern Europe.

In the financial year 2017/2018 we recorded investments of €126.4 million, mainly related to store refurbishments and openings. Of such capital expenditures, €55.9 million related to Germany, €23.1 million related to France, €31.9 million to South-Western Europe and €15.6 million to Eastern Europe.

Our capital expenditures in the financial years 2019/2020, 2018/2019 and 2017/2018 primarily related to store and e-commerce IT and other IT infrastructure as well as investments in the refurbishment, maintenance, design and re-design of existing stores, whereas the level of these refurbishment and maintenance related capital expenditures was relatively stable over the last three financial years.

We currently expect in the short to medium term our capital expenditures expressed as a percentage of total sales to slightly decrease as a percentage of net sales although actual capital expenditure could be higher.

Financing

Financial Liabilities

The following table provides a breakdown of our consolidated financial liabilities as of the balance sheet dates indicated according to their maturity as based on our Audited Consolidated Financial Statements:

	As of September 30, 2018 With a remaining term of			As of September 30, 2019 With a remaining term of			As of September 30, 2020 With a remaining term of		
	Up to 1 year	Btw. 1 and 5 years	More than 5 years	Up to 1 year	Btw. 1 and 5 years	More than 5 years	Up to 1 year	Btw. 1 and 5 years	More than 5 years
	(€ millions)								
Liabilities to banks	0.5	1,670.0	0.0	0.2	1,670.0	0.0	167.6	1,670.5	0.0
Lease liabilities	0.0	0.0	–	4.4	0.0	0.0	276.3	1,052.7	2.7
Financial liabilities from options held by non-controlling interests	0.2	3.3	0.0	0.0	3.7	0.0	0.0	3.7	0.0
Liabilities from contingent considerations	14.7	7.4	0.0	15.2	12.7	0.0	0.2	13.3	0.0
Purchase price liability arising from derivative financial instruments	2.0	4.1	0.0	2.0	2.1	0.0	2.0	0.0	0.0
Liabilities to third-party shareholders	0.0	0.0	0.0	0.0	0.6	0.0	0.0	1.1	0.0
Senior Notes and Senior Secured Notes	10.0	621.2	0.0	10.0	624.3	0.0	10.0	627.5	0.0
Miscellaneous financial liabilities	3.8	0.1	0.0	5.7	0.0	0.0	2.5	0.1	0.0
Total	31.3	2,306.0	0.0	37.5	2,313.5	0.0	458.6	3,368.8	2.7

Provisions for Pensions

Pension provisions are recognized for funded and non-funded employer-financed commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. The pension entitlements usually relate to a payment for contractually agreed retirement pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19–“Employee Benefits”. Accordingly, actuarial gains/losses are recognized directly and in full via a separate equity component.

For more information, see note 22 of our Audited Consolidated Financial Statements for the financial year 2019/2020.

Off-Balance Sheet Commitments / Contingent Liabilities

Maturity analysis

As of September 30, 2020, the maturity analysis of our undiscounted lease receivables is as follows:

	As of September 30, 2020 With a remaining term of						Total
	Up to 1 year	Btw. 1 and 2 years	Btw. 2 and 3 years	Btw. 3 and 4 years	Btw. 4 and 5 years	More than 5 years	
	(€ millions)						
Undiscounted lease receivables	6.2	6.0	4.4	3.8	2.1	1.4	23.9

As of September 30, 2020, the maturity analysis of our undiscounted lease liabilities is as follows:

	As of September 30, 2020 With a remaining term of			Total
	Up to 1 year	Btw. 1 and 5 years	More than 5 years	
	(€ millions)			
Undiscounted lease liabilities	283.6	877.4	216.0	1,377.0

Contractual Obligations

As of December 31, 2020, on an unaudited as adjusted basis to give effect to the Transaction, the principal payment of our material long-term financing and payments on our other contractual financial obligations would have been as follows:

	Less than one year	1-5 years	5-10 years	Total
	(€ millions)			
Borrowings under the Senior Secured Facilities ⁽¹⁾	—	—	-1,080	-1,080
Senior Secured Notes	—	—	-1,000	-1,000
Senior PIK Notes	—	—	-300	-300
Total	<u>—</u>	<u>—</u>	<u>-2,380</u>	<u>-2,380</u>

(1) In addition to the €1,080 million Term Loan B Facility, the Senior Secured Facilities also provide for a committed revolving facility of up to €170 million under the Revolving Credit Facility, which we expect to be undrawn as of the Issue Date.

Off-Balance Sheet Commitments

As of September 30, 2020, we had commitments with respect to purchase commitments for approved capital expenditure in property, plant and equipment or intangible assets amounting to €23.8 million, assuming capital expenditure as expected in the first quarter of the financial year 2020/2021.

Quantitative and Qualitative Disclosure of Market Risks

Overview

We are exposed to liquidity risks, default/credit risks as well as market risks, such as foreign currency and interest rate risks. The following description presents information about our exposure to each of the foregoing risks and our objectives, policies and processes for measuring and managing risks, as based on the respective notes to our Audited Consolidated Financial Statements for the financial year 2019/2020.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due, e.g., settlement of our financial debt and paying our suppliers. Our approach is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under normal but also under stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We generally have access to various sources to finance operations, investments and potential acquisitions. This includes existing cash and cash equivalents, net cash flow from operating activities and bank debt.

Most of our German subsidiaries and the majority of foreign subsidiaries are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction in borrowing and an optimization of cash investments, thus having a positive impact on our net interest result.

During the periods under review, we had to meet certain obligations and key financial covenants in our financing agreements. Besides these financial covenants, the Group also has to meet certain qualitative covenants. If the obligations were not met, the lenders were entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. All contractual obligations were met in the financial years 2017/2018, 2018/2019 and 2019/2020.

Future cash outflows arising from financial liabilities are recognized in the statement of financial position. For further information, see the "Liquidity Risk" section in our Audited Consolidated Financial Statements presented in this offering memorandum. See also "Risk Factors—Risks Relating 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."

Interest Rate Risk

Interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

During the periods under review, the amounts that we borrowed under the Existing Senior Secured Facilities Agreement were subject to variable interest rates. To reduce the risk of cash flow fluctuations due to changes in interest rates of variable loans, we entered into interest rate hedging agreements.

After giving effect to the Transaction, we anticipate that amounts we borrow under the Senior Secured Facilities will be subject to variable interest rates. As a result, we may enter into interest rate hedging agreements in respect of a portion of the new Senior Secured Facilities.

For further information see the *"Interest Rate Risk"* section in our Audited Consolidated Financial Statements presented in this offering memorandum. See also *"Risk Factors—Risks Relating Related to our Financing—The loans under our Senior Secured Facilities Agreement bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow."*

Foreign Currency Risk

The operative companies of our Group largely conduct their activities in the respective functional currency. Currency risks within the Group are estimated to be low since our sales in countries where the Euro is the legal tender represented 90.2% of our total sales in the financial year 2019/2020, and merchandise was purchased almost exclusively in Euros. In order to monitor the residual currency risks, our financial management regularly reviews our currency items and analyzes the advantages and disadvantages of implementing derivative financial instruments. We did not enter into currency hedging contracts in the periods under review.

Within the scope of IFRS 7, a sensitivity analysis was conducted for foreign currency risks. The sensitivity analysis shows the effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency and not designated as hedged items. In total, we would be exposed to a net risk of €-0.3 million in the financial year 2019/2020 (2018/2019: €-0.1 million, 2017/2018: €-0.1 million) following an appreciation in value of the Euro of 5% and €+0.3 million in the financial year 2019/2020 (2018/2019: €+0.1 million, 2017/2018: €+0.1 million) as a consequence of a devaluation of 5%.

For further information see the *"Foreign Currency Rate Risk"* section in our Audited Consolidated Financial Statements presented in this offering memorandum.

Default/Credit Risk

Default risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The default risk generally arises from all financial assets in the portfolio, such as trade accounts receivable, other receivables, cash investments with bank partners and derivatives with a positive market value. The carrying amounts of the financial assets and contract assets correspond to the maximum default risk.

A default risk could exist if a banking partner defaults on payments and bank deposits, in particular as a result of insolvency in the context of financial investments or positive market values from derivatives. We mitigate this risk by exclusively investing in monetary deposits and entering into financial instruments with first-rate banks. At the same time, the volume is distributed among several contracting parties in order to avoid a concentration of risks. Due to the difficult global economic situation, larger monetary deposits are avoided or only made with first-class German banks.

Due to the increased focus on internet sales, the companies of our Group are exposed to credit risk, which is a system-inherent risk in the mail order business. For this reason, the companies of our Group operate an effective and constantly optimized debtor management system including consistent dunning procedures.

Selected Critical Accounting Policies regarding the Preparation of Our Consolidated Financial Statements

The preparation of our Consolidated Financial Statements requires the Company's management to make judgments, estimates and assumptions that affect the reported amounts of income or sales, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. For a discussion of our critical accounting policies for the application of which the Company's management was and is required to exercise judgment and make estimates and assumptions, see note 4 of our Audited Consolidated Financial Statements for the financial year 2019/2020.

MARKET AND COMPETITIVE ENVIRONMENT

Unless otherwise stated, the statements on market and competition provided below are based on our internal market observations and estimates—some of which are, in turn, derived from various sources we believe to be reliable, including industry publications and surveys or studies conducted by third parties—and/or studies commissioned by us, in particular a study prepared by OC&C entitled “European Beauty Market Review December 2019”, as last updated on March 8, 2021 (the “OC&C Report”). While we did not verify or modify any of the market or other data provided by OC&C, we have delivered, upon OC&C’s request, certain factual information to OC&C and have discussed the underlying assumptions with OC&C. We compiled our estimates for the market and competitive data in part on the basis of available historical data and in part on the basis of assumptions and methodologies which we believe to be reasonable, as well as various sources we believe to be reliable.

Because publicly available information on the premium beauty markets in the different countries is only available to a very limited extent, the data included in the OC&C Report and shown in this offering memorandum is based on a modeling methodology, as further described below. In addition, OC&C made assessments regarding the premium beauty sales of competitors using different approaches and methodologies, especially where published results for the different competitors (e.g., with respect to the respective sales of selective beauty products) were not available; in certain cases, sales for us and our competitors were considered for different periods, thus limiting comparability.

In the OC&C Report, the premium beauty market was derived from the total market for beauty and personal care per market region using a modeling methodology defining, firstly, the premium “channels”, which are market players with a substantial share of sales of premium beauty products, within the respective regional total beauty and personal care markets (for example, depending on the country, beauty specialist retailers, department stores and online players). The OC&C Report defines the key product categories sold, though not exclusively, through the selective distribution channel, i.e., the beauty product categories fragrances, skin & body care, and color cosmetics, as opposed to hygiene product categories (which are not included in this definition of the premium beauty market). An estimation was made regarding the percentage of sales pertaining to premium beauty products within each of the defined channels (i.e., the share of premium products sold by department stores, e-commerce players, drugstores, etc.) in order to arrive at an approximation of the resulting “premium segment” value for each country, which also includes e-commerce sales of premium beauty products. Market size is based on net sales. For online channel, OC&C’s analysis includes, besides traditional online orders, sales via mobile devices, such as smartphones and tablets, as well as products that are ordered online and picked-up in stores. The premium beauty market, as assessed by OC&C, includes beauty products pertaining to selective products (including exclusive products) and (except when assessing the premium beauty market) also the beauty categories—fragrances, skin & body care and color cosmetics—pertaining to private label products, although private label products, strictly speaking, do not represent selective products as they are not supplied by premium brand suppliers through the selective distribution channel, but rather directly sourced by the respective retailer from third-party manufacturers.

Therefore, the following data, especially on market sizes, past and projected growth rates and competitive position should be viewed with caution and in light of such limitations, and may differ from market and competitive data contained in other analyses or calculations of selective sales of competitors. Additional factors, which should be considered in assessing the market and competitive data, including the projected growth rates, are described elsewhere in this offering memorandum, in particular those set out in the section entitled “Risk Factors”.

OC&C’s sales assessments are, unless otherwise stated, based on net sales at current prices (i.e., not adjusted for inflation), including VAT and using a fixed exchange rate for Polish zloty of 4.35 PLN per euro.

Overview

As the leading European premium beauty platform across our core markets (Germany, France, Spain, Italy, the Netherlands and Poland), our online and offline assortment comprises fragrances, skin care (including body care), color cosmetics, hair cosmetics and beauty nutrition, complemented by other offerings such as hair accessories, bath and shower products, deodorants and gift sets. These categories also include professional beauty products, such as electrical skin cleaning brushes, home accessories, such as home textiles, dishware or decorative articles, and personal accessories, such as scarves and fashion or costume jewelry. From a product type perspective, we focus mainly on premium beauty products from third-party, mostly premium, brands (selective products), some of which are distributed exclusively by us on a European basis or in a specific region and for an agreed period of time (exclusive products), and on our own-brand products, with which we target different segments within the European beauty and personal care market. The European beauty market is increasingly shifting to the premium segment, with high margin luxury, niche and prestige products accounting for 36% of the market in 2019. We focus mainly on the premium beauty market, an attractive sub-segment of

the broader beauty and personal care market where manufacturers of premium brands limit the distribution of their products to selected qualified retailers, as opposed to the mass distribution channel. Suppliers thus favor trusted retailers with strong brand awareness who can offer appropriate brand presentation and store appearance, high levels of customer service from specially trained employees, breadth of product assortment and broad customer and geographical reach. We believe that this is an attractive and to a certain extent, resilient market segment benefitting from positive market dynamics, and thus provides a solid foundation for our future growth.

Therefore, the following market description is based on the premium beauty market, which is a market segment within the broader European beauty and personal care market (the "beauty market"). The premium beauty market within our core markets of operation (Germany, France, Italy, Spain, the Netherlands and Poland (collectively, the "core markets")) and core categories (fragrances, skin & body care, make-up) was worth approximately €13.8 billion in 2019, which accounted for approximately 36% of the total beauty and personal care market for the core markets in that year.

From a regional perspective, our most important markets are Germany and France, in which we generated approximately 39% and 21% of our sales, respectively, in the financial year 2019/2020. These two markets are also the two largest within the European premium beauty market and together accounted for more than half of the total European premium beauty market in 2019, according to the OC&C Report. Our other core markets of operation are Italy, Spain, the Netherlands and Poland. Sales generated from the core markets contributed to 90.7% of our sales in the financial year 2019/2020.

The European Premium Beauty Market

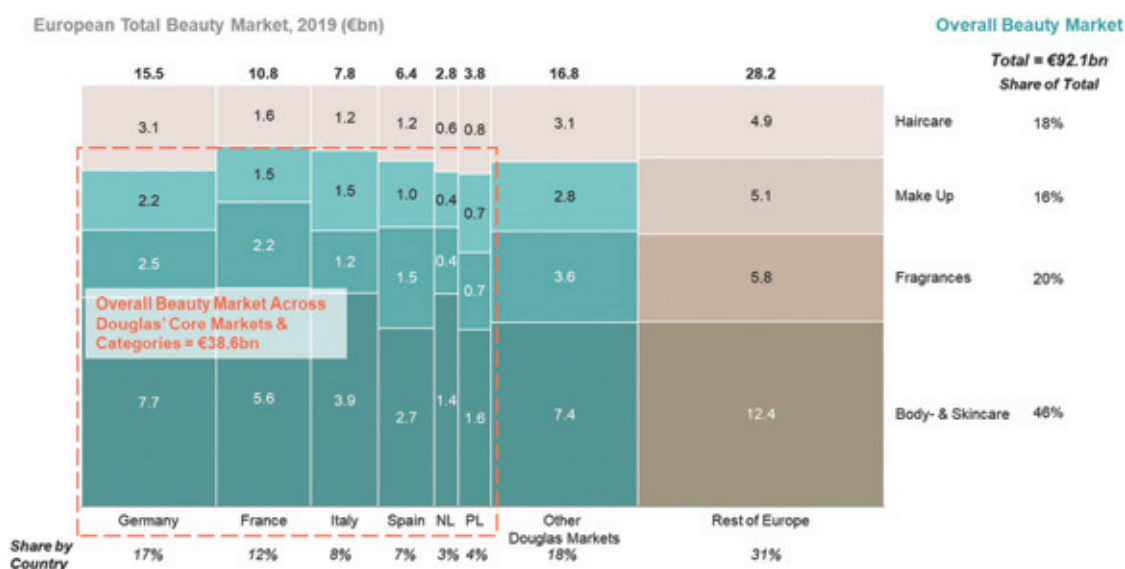
The premium beauty market in Europe is a particularly attractive and to some extent, resilient segment within the larger European beauty and personal care market. Historically, the European beauty market in our core markets grew at a stable CAGR of 2.3% from 2015 to 2019. Apart from France, the premium beauty markets in our core markets have consistently grown and have gained an increasing share of the overall beauty market in each of the core markets from 2014 to 2019, according to the OC&C Report. In the selective distribution channel of the European beauty and personal care market (as opposed to the mass market), brand manufacturers approve retailers to sell their products if they fulfill certain specific qualitative criteria, aimed at ensuring an appropriate premium sales environment for their brands; for example:

- an adequate product and brand presentation in store (online players are required to have a physical store presence in order to be able to source their products through the selective distribution channel);
- appropriate service levels through qualified and trained employees;
- breadth of product assortment and product availability;
- specialist advice and testing opportunities; and
- appropriate appearance and composition of stores.

Through such requirements, brand manufacturers select the retailers who they approve for the sale of their products. Selective distribution is a key means through which suppliers protect the upscale reputation of their products and brands and exert control over the distribution of their branded products by using only distribution channels that fit their desired brand image. In general, the level of brand usage rights depends on the level of fulfillment of the different requirements. Suppliers, however, do not impose minimum price obligations on retailers.

Fragrances, body and skin care and color cosmetics (make-up) are typical product categories sold via the selective distribution channel. By contrast, in the mass market, which in addition to the aforementioned categories also includes hygiene products such as oral hygiene or bath and shower products and mass beauty products, there is no such selection of retailers and no such selection of certain distribution channels.

According to the OC&C Report, the European beauty market was worth €92.1 billion in 2019, out of which our key product categories, fragrances, skin care (including body care) and color cosmetics, accounted for 82%, and out of which the premium segment in our core markets accounted for €13.8 billion, or 36% of the beauty market across the core markets and in our key product categories. The following chart illustrates the size of the European beauty market within the broader European beauty and personal care market as used throughout this section:



Source: OC&C Report.

Germany and France were the two largest markets within the European premium beauty market in 2019, amounting to €4.0 billion and €4.7 billion, respectively. In both countries, the premium beauty segment constituted 32% and 51%, respectively, of the overall market. Italy, Spain, the Netherlands and Poland, our other core markets, had market sizes of €2.2 billion, €1.9 billion, €0.6 billion and €0.4 billion, respectively. Except for France, the overall premium beauty markets in our core markets have experienced consistent growth, ranging from CAGRs of 1.6% (The Netherlands) to 7.1% (Poland) from 2014 to 2019, and are expected to further grow between 2022 and 2024, according to the OC&C Report.

Substantial Success Factors and Advantages for Larger Players

Within the European premium beauty market, large beauty players are typically in a better position to fulfill the criteria required by selective fragrance, skin & body care and cosmetics suppliers to protect their brands and luxury image through customer touchpoints via a store network, established brands (since suppliers generally prefer retailers with strong brand awareness), high service levels and well-trained staff, customer reach, breadth of assortment, omnichannel presence and market penetration. In addition, larger beauty retailers also benefit from certain economies of scale, such as advantages in purchasing conditions, as well as the ability to support promotions and other marketing activities on a larger scale. Large and influential manufacturers also often rely on large players to bring product innovations to the market. Large beauty players with cross-country presence can also significantly benefit from their established and long-term contractual relationships with premium fragrance, skin & body care and color cosmetics suppliers.

A strong omnichannel presence allowed us to provide all purchasing options (online only, online-to-offline, offline-to-online, offline only) pre-COVID-19. This ultimately enabled a much quicker shift in focus to the online portion of our business while stores were/ are closed as a result of government restrictions or lockdowns in response to COVID-19.

Because only a limited number of retailers can meet the high demands of suppliers of selective beauty products, new (especially small) players face challenges when trying to enter the stationary or the online market.

Large players also offer a more experiential shopping experience through their strong omnichannel services along various customer touch points, e-commerce operations and investments in e-commerce capabilities, which enhances customer engagement and spending. In addition, larger, well-known offline or online players profit from their high brand recognition *vis-à-vis* customers, since consumers often seek a trusted and established partner, especially in times of almost infinite product variety, when familiarity and guidance regarding their choice of product is particularly important to them.

Development and Prospects

General

Our key product categories, fragrances, skin care (including body care) and color cosmetics, accounted for approximately 82% of the total European beauty market of €92.1 billion in 2019. The premium beauty market in the core markets amounted to approximately €38.6 billion (in terms of sales) in 2019.

Overall, the premium beauty market in Europe has demonstrated a strong resilience, compared to other consumer-related industries. For example, the European beauty market showed lower cyclicalities than the apparel or homewares industry from 2005 to 2019, including during the recession of 2008-2010 and the COVID-19 pandemic from 2020 to present. In particular, Germany, the largest market among the core markets, exhibited especially low cyclicalities, with the beauty market outgrowing both GDP and consumer spending, during the recession of 2008-2010.

The beauty market has also benefited from robust margins, and in particular, those of premium brands. Leading premium brands' investment in marketing generated attractive margin, which benefitted premium-focused multi-brand retailers that partner with such leading brands. As most of such marketing expenditures are covered by global brands, the premium-focused multi-brand retailers, who are the selective distribution partners of such brands and also have access to premium brands and scale, are able to monetize a higher share of the profit achieved by such brands as a result of such marketing. The average gross margins for leading beauty retailers are higher compared to other retail sub-sectors, such as sports, DIY/tools or watches/jewelry.

The online channel is expected to significantly outgrow the offline beauty market and double its share of the total beauty market by 2024. Despite its expected decline in growth, the offline channel will remain a major retail channel. Up to 50% of consumers switched to the online channel during the outbreak of the COVID-19 pandemic. The trend is expected to, at least partially, continue post COVID-19. See "*Impact of the COVID-19 pandemic*" below for more information on the impact of the COVID-19 pandemic on the beauty market. Although COVID-19 amplified the trend, there is expected to be a lasting reduction in city traffic impacting many stores. However, consumers are equally keen to return to shops in search of inspiration and experiential shopping. Moreover, increases in conversion rates indicate shoppers may be becoming more intentional with their store visits. As a result, a strong omnichannel presence is key to serving all customers' needs.

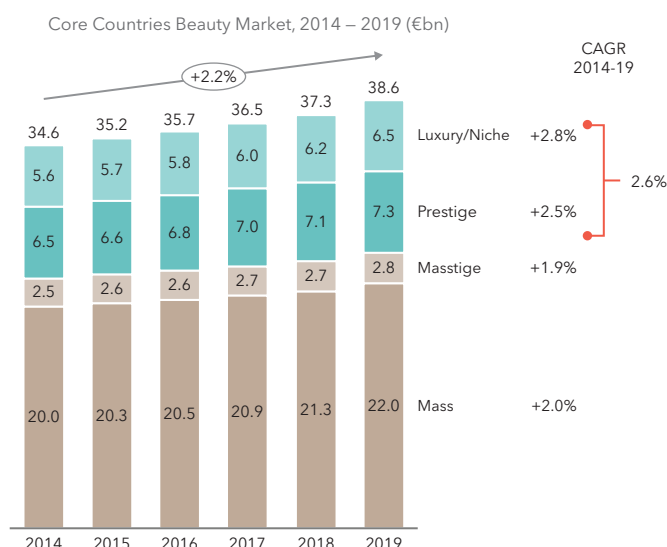
Impact of the COVID-19 pandemic

Due to the COVID-19 pandemic, which caused several lockdowns and resulted in store closures, offline sales in the beauty market (including both premium and mass segments, sold via selective channels and pure-play online retailers) have significantly declined across the core markets (with decreases ranging from approximately 24% to 31%), whereas online sales have soared (with increases ranging from approximately 40% to 85%) in 2020. However, across all core markets, online growth only partially compensated for declines in offline sales due to the COVID-19 pandemic, which resulted in an overall market decline of approximately 18-20%. According to the OC&C Report, we outperformed the beauty market in most of our core markets, and in particular, in the online channel, where we significantly outperformed across all six core markets and against leading online beauty pureplay retailers. Our outperformance in Germany in particular was driven by our stronger market share and growth in online revenue.

According to the OC&C Report, based on GDP recovery (and aligned beauty market recovery) scenarios, it is expected that there will be a large bounce back of sales in 2021, with such normalization phase to develop in line with historic market development before the COVID-19 pandemic. According to the OC&C Report, the premium beauty and wider beauty market is expected to slightly outperform GDP recovery, at varying rates across different markets. For more information on the impact of COVID-19 pandemic on our business, see "*Summary—Recent Developments*".

Growth in Premium Beauty Segment

The European premium beauty market has benefitted from growth in all brand segments (luxury/niche, prestige, masstige and mass) from 2014 to 2019, as further presented in the following chart:



Source: OC&C Report.

The premium beauty segment, including the luxury/niche segment and prestige segment, grew at a CAGR of 2.6% over the 2014-2019 period. The luxury/niche segment grew at a CAGR of 2.8% over the 2014-2019 period, driven by the volume growth and, to a lesser extent, price/mix changes during the period. The prestige segment grew at a CAGR of 2.5% over the 2014-2019 period.

The growth during the period was due to various drivers. Fragrances and skincare drove growth in the value of selective beauty products, despite a decline in make-up products. Innovations in the luxury segment, driven by brands expanding their luxury and niche/exclusive lines during the period, also contributed to the growth in the premium segment. Moreover, high tech products and clinical ingredients, along with wellness products, were continuously featured in beauty retail channels. Consumers are increasingly looking for organic ingredients and natural products, driving growth in sophisticated and premium products. Lastly, increased focus on sustainable packaging resulted in an increase in the overall packaging and related costs for more brands.

The premium beauty markets in the core markets have varying levels of premium segment penetration and growth. France has the largest premium segment but has experienced some value pressure, due to strong promotional activities, increased cross-border beauty sales and niche brands gaining incremental share from traditional premium brands. The premium beauty segment (along with mass segment) experienced a steady growth across the core markets (except for France), as further set forth below, in the period 2014-2019:

Total Premium Beauty Market for Core Countries, 2014-24 (€bn)

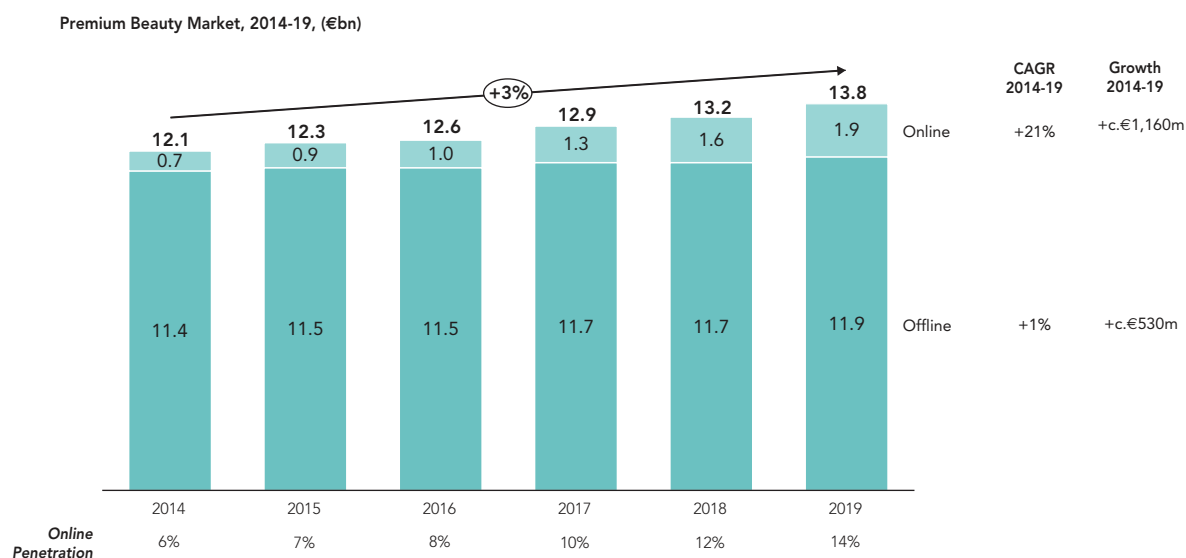
	Premium beauty market sizes (€bn)				CAGRs			
	2014	2019	2022F	2024F	2014-19	2019-22	2019-24	2022-24
Germany	3.1	4.0	4.2	4.6	5.4%	1.7%	c. 2.5 - 3%	c. 4 - 5%
France	5.0	4.7	4.5	4.6	-1.0%	-1.5%	c. -1 - 0%	c. 0 - 0.5%
Italy	1.8	2.2	2.2	2.4	3.7%	0.8%	c. 2 - 3%	c. 4.5 - 5%
Spain	1.4	1.9	1.9	2.1	6.4%	0.1%	c. 2 - 3%	c. 5 - 6%
Netherlands	0.6	0.6	0.6	0.7	1.6%	0.3%	c. 1 - 1.5%	c. 2.5 - 3.5%
Poland	0.3	0.4	0.4	0.4	7.1%	1.6%	c. 3 - 3.5%	c. 5 - 6%
Weighted Average CAGRs					2.7%	0.2%	c. 1 - 2%	c. 3 - 3.5%

Online channel gaining traction across all of our core markets

The online channel accounted for, on average, 14% of the premium beauty market across the core markets (to a varying degree) in 2019. According to the OC&C Report, online penetration of the total beauty and personal care market in our core markets in 2019 amounted to 5% (Italy), 9% (France), 11% (Spain), 22%

(Germany and the Netherlands) and 28% (Poland). Over the recent years, the online channel of the premium beauty market in the core markets has shown strong growth with a CAGR of 21% in the 2014-2019 period. However, the online penetration in the premium beauty market is still modest compared to the level of penetration in other retail sectors, despite the fact that it has an increasingly fast pace of expansion. As a result, pure-play online players still have limited presence in the premium beauty market compared to large omnichannel retailers, such as us or Sephora, according to the OC&C Report.

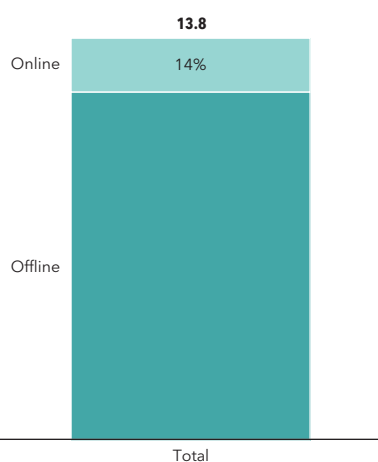
The following chart presents an overview of the growth in online penetration in the core markets for the 2014-2019 period:



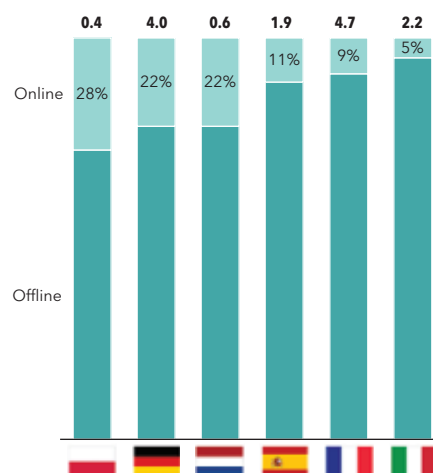
Source: OC&C Report.

While the online channel gained traction across the premium beauty markets in all core markets, each market has a varying level of premium segment online penetration. The following chart presents the online/offline channel split of the premium market by country in the core markets:

Channel split premium market, 2019 €bn



Channel split premium market by country, 2019 €bn



Source: OC&C Report.

Key Consumer Trends

The European premium beauty market benefits from a number of major, long-term general consumer trends that have driven the overall positive development and future growth of the market. According to the OC&C Report, these long-term trends, which also apply to our core markets, with local variations, include:

Premium beauty customers with complex needs and high expectation of the shopping experience: Premium beauty customers are demanding, with complex needs and high expectations towards the overall shopping experience. The customers typically engage in five different types of purchase missions.

While approximately 56% of these purchase missions are classified as direct or inspirational replacement, the remaining share is split over the missions "treat myself", "try something new", "solve a problem" and "gifting". This means that although 56% of premium beauty purchase missions are classed by consumers as 'replacement' missions, almost half of these missions involve switching product and/or brands, and seeking inspiration or guidance. In total, this means that over 70% of expenditure in the premium beauty market requires advice and helps to explain why specialist formats and multi-brand operators hold material market shares. Customers are also highly engaged across every step of the customer journey, with a significant share of cross-channel behavior.

Shopping as an omnichannel experience: Shopping is increasingly regarded not only as a strictly functional activity, but also as a leisure activity in itself, regardless of whether the customer purchases online or offline, as boundaries in an increasingly connected, omnichannel world become less defined (for example, the integration of online and offline channels allows customers to browse online, buy in-store, ship-from-store or "click & collect"). On the one hand, customers increasingly purchase online, which may save them time, money and effort (for example, for customers who want to make pre-selected or replenishment purchases efficiently). Online shopping also allows customers to browse through a broad selection of products quickly. In this respect, a trend towards an increasing use of mobile applications (which enable easy access, anywhere and anytime) can also be observed. On the other hand, customers may also remain, with respect to beauty products, offline customers, because they wish to see, touch, feel, smell and test many beauty products in person, and appreciate the physical store experience in attractive surroundings. In addition, friendly, personal and competent customer advice are aspects of a shopping experience, which cannot currently be provided to the same extent online. This underscores the increasing importance for beauty retailers of store location (particularly, of prime locations in urban centers) and appearance as well as qualified staff able to provide expert advice and an excellent online offering.

Beauty and personal care products gaining importance/Evolving customer groups: Certain target customer groups have become increasingly important to beauty retailers: (i) the generation 50+, which is not only growing in size due to the demographic change, places an increasing emphasis on its appearance, has the financial means to afford premium to luxury products; and shows, for example, a growing interest in anti-aging lifestyle products in order to maintain a young look and lifestyle; (ii) young and middle-aged customers, who wish to take preventive anti-aging measures; (iii) female adolescents as a newer target group for color cosmetics, who start to use make-up at an even earlier age; and (iv) male customers who increasingly care about their physical appearance, discovering beauty products as part of their lifestyle.

Beauty products increasingly regarded as "personal rewards": In spite of, or even because of unstable economic perspectives, the demand for so-called small luxuries has grown: small, affordable "feel-good" products are being used on a more regular basis to compensate for uncertainty and a less stable income and as personal rewards (e.g., when other, more substantial expenses have to be given up). In our view, selected fast-moving product categories such as fragrances are shifting to a more premium offering and serve as first entrance into the luxury products market.

Customers becoming more discerning and requiring products that are more individual: Increasingly well-informed customers are demanding specific products that cater to their needs. This includes, in particular: (i) healthy products, natural, organic, sustainable or vegan products, (ii) innovative products, reflecting state-of-the-art scientific research, (iii) private label products, which are often an attractive option for customers at price-entry levels, and (iv) customized or individualized products and targeted services offers to address the increasing desire by customers to express personality and turn away from the mass, which is driving demand for a greater product variety. Even formerly standardized, everyday products are becoming more individualistic, catering to specific consumer needs and desires.

Competitive Environment

According to the OC&C Report, we are a leading European beauty platform across all of our six core markets. Based on sales in 2019, we hold a market leading position of 26% in Germany (ahead of Müller with 12%), 14% in Italy (ahead of Sephora with 7%), 40% in the Netherlands (ahead of ICI Paris XL with 33%) and 41% in Poland (ahead of Sephora with 32%). We also hold the second largest market share in France (16%) and the third in Spain (11%).

Douglas leads across all dimensions of the beauty ecosystem ⁽¹⁾							
		DOUGLAS	SEPHORA	Online competitors	Major offline competitors	Travel beauty shops	Small perfumeries
Assortment	Selective distribution of luxury brands	✓✓✓	✓✓✓	✓ - ✓✓	✓✓	✓✓✓	✓✓
	Exclusive products	✓✓✓	✓✓✓	✗	✗	✗	✗
	Private label	✓✓	✓✓✓	✗ ⁽²⁾	✗	✗	✗
Beauty platform	Omnichannel	✓✓✓	✓✓✓	✗	✗	✗	✗
	Content and services	✓✓✓	✓✓	✓	✗	✗	✗
	Supplier / Partner program	✓✓✓	✓	✓	✗	✗	✗
	CRM / Datahub	✓✓✓	✓✓	✓✓	✗	✗	✗
	Marketplace	✓✓	✗	✓	✗	✗	✗
Online	App users	✓✓✓	✓✓✓	✓ ⁽³⁾			
	Ship from Store	✓	✓	✗	✓ - ✓✓	✗	✓ ⁽⁵⁾
	Click & Collect	✓✓✓	✓✓✓	✗ ⁽⁴⁾	✓ - ✓✓	✗	✓ - ✓✓ ⁽⁵⁾
Pricing		✓✓	✓✓	✓✓✓	✓ - ✓✓	✓✓	✓ - ✓✓

(1) Based on the OC&C Report.

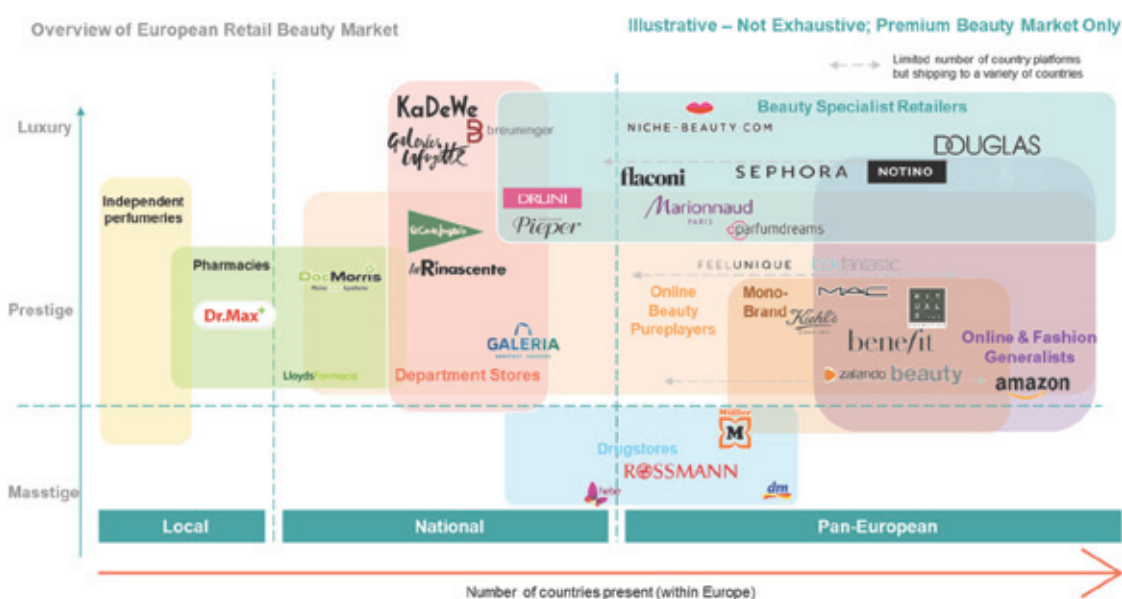
(2) Selective online players have introduced a limited private label range but with insignificant overall market / revenue share.

(3) Available for some pureplay players but without a strong beauty focus.

(4) Available for selective players only.

(5) Available for certain parts of players only, accelerated due to COVID-19 and includes "call & collect"

The following chart illustrates the landscape of the beauty retailers in Europe, presenting the scope of presence (local, national and pan-European) and the product segments (luxury, prestige and masstige) they provide in the respective markets:



Within the European premium beauty market, our most relevant competitors include (i) other beauty retailers/perfumeries with a presence in several European countries, such as Sephora, Marionnaud, Druni and

ICI Paris XL (there are relatively few selective beauty retailers with a substantial size), (ii) the selective beauty departments of selected department stores (such as Galeria Karstadt Kaufhof and El Corte Inglés), including those of luxury department stores (such as Galeries Lafayette), (iii) pharmacies and para-pharmacies (which increasingly focus on skin care and natural cosmetics), as well as (iv) some drugstores or hypermarkets with a separate section for selective products (such as Müller, Rossmann or Kruidvat). Most drugstores, as well as food retailers and other similar competitors offer predominantly mass market products in most countries, and thus typically do not directly compete with us in the premium beauty market.

In addition, we compete with duty free shops and monolabels, such as Yves Rocher or Kiko Milano, representing significantly smaller businesses with a more limited product range of own brands and with their own distribution channel; however, we compete for customers with such monolabels, even if they are not part of the selective distribution channel.

We also compete with so-called pure-play online or primarily online-based competitors. Online players include (i) online perfumeries (such as Flaconi and FeelUnique), which mostly focus on both selective and non-selective brands, and (ii) retail platforms (such as Amazon, Zalando or eBay). Online perfumeries that fulfill the suppliers' requirements, such as a physical store presence, opportunities for customers to test products or the provision of comprehensive customer advice in the stores (even with a rather limited stationary presence) may source their products through the selective distribution channel. Other online competitors, such as generalist retail platforms and marketplaces (which offer other products besides beauty and personal care products), mostly operate in the mass market segment.

A limited "grey market" exists in some of the typically non-selective retail formats, such as drugstores, food retailers or online marketplaces, in which certain selective beauty products are sold through channels other than the official channels explicitly allowed by the manufacturers, sometimes even at discount prices. For example, online players, who are not duly authorized by the respective suppliers to distribute their selective products, may obtain selective products from authorized retailers that want to dispose of excess or older stock. In addition, selective products that are sold more cheaply in not yet established regional markets or emerging markets may be introduced in established markets at lower prices through the re-import of products from other countries or otherwise. These products are typically offered at discounted prices that can be substantially lower than those of the selective distributors and could increasingly undermine the selective distribution channel business model. These products can appear first in online/mobile searches for a particular product, for example through online price comparison tools. However, the grey market remains limited because suppliers of selective products and selective retailers such as us regularly adopt measures aiming at counteracting grey market activities as soon as they become aware of them (e.g., by implementing tools and devices that allow for tracking of their stock, such as hidden codes). Grey market issues are also relevant, depending on the country, with respect to our brick & mortar store business where we have noticed increased competition from grey market products, especially in certain cases in which drugstores and discounters want to expand their selective offerings and source selective products from the grey market. Furthermore, these types of offerings sometimes also extend to counterfeit products. See also *"Risk Factors—Risks Relating to Our Market Environment and Business—We face competition in the markets in which we operate and such competition may intensify further."*

While the competitive landscape varies by country, the larger players that are present across several European countries (such as us, Sephora and Marionnaud) are generally also the most important players in the respective premium beauty markets, with the top-two or top-three players typically commanding a significant market share. The level of concentration varies, in some cases substantially, among the core markets in which we operate and there exist further consolidation opportunities in markets where the concentration is still low (for example in Italy). We also believe that, in part as a result of the above-mentioned significant selective distribution requirements of brand manufacturers, the market share of large and omnichannel players with high brand awareness has grown at the expense of smaller chains, as the market has progressively consolidated in recent years.

Legal Framework of the Selective Distribution Model

See *"Business—Regulatory Environment"*, and *"Risk Factors—Legal, Regulatory and Tax Risks—We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect to selective distribution contracts."*

BUSINESS

Overview

We believe we are the leading premium beauty platform in Europe, with total Group sales of €3,112.7 million, Adjusted EBITDA (as reported) of €250.2 million and Adjusted EBITDA of €235.2 million in the twelve months ended December 31, 2020. The majority of our sales are generated within the selective beauty distribution channel, which requires the formal authorization of a supplier to carry a selective product, as opposed to the mass market channel. As of December 31, 2020, we operate in 26 European countries with over 2,300 stores (including 141 franchised stores) in 20 countries and have e-commerce operations in 24 countries. According to the OC&C Market Review Update, in 2019 we held leading market positions in the premium beauty market (top 1-2) in all of our core markets except for Spain where we held the number 3 position. In those six core countries, we generated 90.7% of our sales in the financial year 2019/2020. In the financial year 2019/2020, we had an average number of 21,016 employees (salaried employees and excluding apprentices).

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and e-commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In October 2019, we launched our beauty marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories. As of December 31, 2020, our marketplace featured 101 partners and offered nearly 84,000 SKUs (in Germany including Parfumdreams and Niche Beauty). Our total e-commerce sales amounted to €1,006.3 million in the twelve months ended December 31, 2020, corresponding to 32.3% of our total sales. In the financial year 2019/2020, our e-commerce sales amounted to €821.5 million, or 25.4% of our total sales, corresponding to a CAGR of 39.3% during the financial year 2017/2018 to 2019/2020. In Germany, our e-commerce sales comprised 39.9% of our total sales in the financial year 2019/2020.

We primarily operate under the “Douglas” brand and under the “Nocibé” brand in France and Monaco. With nearly 130,000 different SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), we offer one of the industry’s largest beauty and personal care product assortments available across a wide range of price points in both our brick & mortar and online stores. This assortment is complemented by a range of beauty-related nutritional supplements, accessories such as jewelry, home decorations and selected service offerings.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services. As a result, we have an extensive customer loyalty card program. As of September 30, 2020, we had more than 44 million Douglas Beauty Card / Nocibé Card holders across Europe. We believe that several factors make us a “must-have” distribution platform for the major suppliers of beauty products, such as our customer base, reputation, broad, well-invested store network in prime locations, and e-commerce capabilities.

We believe we are an innovation leader in omnichannel beauty retailing in Europe and already at the beginning of the financial year 2017/18, we launched our #FORWARDBEAUTY strategy where we put our online business at the center of our focus with the aim of becoming an integrated, data-based beauty platform. As part of this strategy, we have successfully modernized our brand logo and store design and continue to make investments in e-commerce. We have updated our successful #FORWARDBEAUTY strategy and have started to implement the next phase, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing even more on digitalization to create an integrated beauty platform and link our brick & mortar stores and e-commerce capabilities. In doing so, we aim to provide a more holistic journey for our customers.

Competitive Strengths

We believe that our business is characterized by the following competitive strengths:

Number one beauty destination in Europe

With total Group sales of €3,112.7 million in the twelve months ended December 31, 2020, we believe we are Europe’s leading beauty platform in our core countries. According to the OC&C Market Review Update, in 2019 we held leading market positions in the premium beauty market (top 1-2) in all of our core markets except for Spain where we hold the number 3 position. Our operations in our six core countries generated 90.7% of our sales in the financial year 2019/2020. In Germany, with an estimated market share of 26% in 2019, we were the clear market leader in the premium beauty market in terms of sales. In France, with an estimated market share of 16% in 2019, we held the number two position and believe that we have strong market

positions in most of our other markets. Based on the OC&C Market Review Update, we believe that in 2019, we generated almost the same amount of sales in premium beauty products as our next three closest competitors combined in our core markets. We had an estimated market share of 19% in our core markets as of September 30, 2020.

Since the opening of the first Douglas perfumery in 1910 in Hamburg, we have evolved into a highly trusted brand with a premium image that we believe has become synonymous with beauty in all of our core markets. Our anchor brand “Douglas” benefits from leading brand awareness across our core markets (other than France and Spain where we have the second highest brand awareness) with 95% awareness in Germany, 78% awareness in the Netherlands and 72% awareness in Italy and Poland, and our brand “Nocibé” benefits from 80% brand awareness in France according to the OC&C Market Review, which together drive traffic to our online shops and brick & mortar stores at low customer acquisition costs. We believe that customers see our Douglas and Nocibé brands as a synonym for beauty and associate us with being premium, modern and offering a large, diverse assortment. In addition, we believe that suppliers value our leading market position, scale, customer reach and pan-European presence, which together make us the partner of choice for both established and emerging brands as well as provide us with the purchasing power to constantly improve our purchasing terms (such as higher year-end discounts).

Leading online beauty platform in Europe

We believe we are the number 1 European online beauty player in our core countries combined with a strong presence in the fast growing online premium beauty market. As of December 31, 2020, our online platform in Germany had nearly 130,000 different SKUs (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), and featured more than 1,800 brands (as of September 30, 2020), with over 365 new brands added in the financial year 2019/2020. In the financial year 2019/2020, total visits for our dedicated Douglas App (in Germany, excluding Parfumdreams and Niche Beauty) exceeded 39 million. In total, we experienced over 474 million total visits during the financial year 2019/2020. Our e-commerce sales have grown at a CAGR of over 29.2% in the last 8 years and a CAGR of 39.3% since the financial year 2017/2018. For the twelve months ended December 31, 2020, our e-commerce sales amounted to €1,006.3 million, representing 32.3% of our total sales for the period.

We believe that we benefit from a growing base of recurring online customers and especially omnichannel who have historically made stable revenue contributions and have continued to increase in number even during the COVID-19 pandemic. In addition, we believe that the COVID-19 pandemic has fundamentally changed customer behavior and further accelerated the shift towards online retailing even outside of national lockdowns. For example, even though most of our stores were open from June to October following the first wave of national lockdowns, our e-commerce sales increased from €219 million between June 1, 2019 to October 31, 2019 to €325 million between June 1, 2020 to October 31, 2020 while our e-commerce Adjusted EBITDA increased from €25 million between June 1, 2019 to October 31, 2019 to €48 million between June 1, 2020 to October 31, 2020. In addition, in the financial year 2019/2020, our total visits and active customers amounted to 474 million and 10 million, respectively, representing an increase of 39.3% and 40.6%, respectively, as compared to the previous year. In Germany in the financial year 2019/2020, the share of sales (excluding Parfumdreams and Niche Beauty, including VAT) attributable to mobile revenue increased by 1.9 percentage points to 64.1% of our total e-commerce sales in Germany, including an increase in the share of sales attributable to our Douglas App, which increased by 3.9 percentage points to 23.7% of our total e-commerce sales in Germany. Over the same period in Germany (excluding Parfumdreams and Niche Beauty), our conversion rate, defined as the proportion of site visitors who complete the purchasing process, among our Douglas Beauty Card holders remained relatively stable at 3.6% and the average e-commerce basket size of Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty, including VAT and before sales deductions, which are in this specific case liabilities deducted from sales arising when customers use points from their Douglas Beauty Cards earned through purchases to get products discounts or vouchers on future purchases) increased by 9.8% to €65 as compared to the previous year. For the financial year 2019/2020 in Germany, (excluding Parfumdreams and Niche Beauty), our average cost per online order was €6.78, and our online acquisition cost decreased at a CAGR of 5.2% since the financial year 2017/2018.

We continue to invest in our e-commerce capabilities and in the financial year 2019/2020, launched our “Douglas LIVE” shopping service where our beauty advisors, influencers and brand testimonials introduce products via livestream that can be immediately purchased by customers as well as a “ship-from-store” delivery option. To further complement our online platform, we launched the first dedicated European premium beauty marketplace in October 2019 (initially in Germany, and in France and Austria in 2020) and generated total platform sales of approximately €13 million in the first quarter 2020/2021. Through our marketplace, we exclusively partner with third party retailers and brands to further expand our product assortment and revenue streams and enter new product categories such as pharma beauty, jewelry, home accessories and fashion

without having to build up inventories or incur logistics costs. As of December 31, 2020, our marketplace featured 101 partners including beauty suppliers like Talea, online pharmacies like apo-rot (belonging to the Doc Morris Group), or vendors of accessories and jewelry like Brandfield, Butlers or Christ and offered nearly 84,000 different SKUs (in Germany including Parfumdreams and Niche Beauty). In addition, we believe that our marketplace boosts cross-selling through increased online traffic and provides additional data to improve our data analytics and customer view. The marketplace function is currently active in our online shops in Germany, Austria and France. It is expected to be rolled out to Poland in March 2021 and we are planning to add other core markets such as the Netherlands and Italy in the financial year 2020/2021.

Diversified leader with strong omnichannel operations in large, structurally growing and resilient European beauty market

The European premium beauty market in our core markets totaled €13.8 billion in 2019 and has demonstrated resilience in challenging retail trading environments and partly through the COVID-19 pandemic. Beauty products (fragrances, skin care (including body care) and also color cosmetics) are often perceived as accessible high-value gifts and so-called "personal rewards", which has contributed to the demand for such products remaining relatively stable. The market historically saw a balanced split between product categories with skin and body care, fragrances, makeup and hair cosmetics accounting for 46%, 20%, 16% and 18% of the total market, respectively, in 2019. However, the effects of the COVID-19 pandemic such as the increased use of masks as well as working from home have led to an increase in our sales of skin and body care products and a decrease in our sales of makeup products.

The European beauty market is increasingly shifting to the premium segment, with high margin luxury, niche and prestige products accounting for 36% of the market in 2019. The European beauty market in our core markets grew at a CAGR of 2.3% between 2015 and 2019 with the premium segment growing at a CAGR of 2.9% over the same period. Within the premium segment, the share of e-commerce sales has more than doubled in size between 2015 and 2019.

We believe that our intuitive and comprehensive omnichannel offering across our online and offline channels makes us an attractive partner for suppliers and also well-placed to capitalize on growth in the underlying European beauty market. We focus mainly on the premium beauty market, an attractive sub-segment of the broader beauty and personal care market where manufacturers of premium brands limit the distribution of their products to selected qualified retailers. Suppliers thus favor trusted retailers with strong brand awareness who can offer appropriate brand presentation and store appearance, high levels of customer service from specially trained employees, breadth of product assortment and broad customer and geographical reach. As a result, we believe that the high integration of our online and mobile interfaces and brick & mortar stores helps ensure that brands are positioned appropriately and make us an attractive partner for suppliers.

In addition, we believe that customers in the beauty retail sector increasingly shop online to save time, money and effort, but still wish to see, touch, feel, smell and test products in person in the store. To further enhance our customer's omnichannel shopping experience, we offer a number of highly integrated cross-channel services along various customer touch points, covering pre-sales information, stock availability, consultation, payment as well as delivery of products and returns. These services include in-store orders, click & collect, "ship from store" delivery, online stock information, online appointment scheduling before store visits as well as cross-channel couponing. For the financial year 2019/2020, in Germany (excluding Parfumdreams and Niche Beauty), our average return cycle in days was 2.49. In the financial year 2019/2020, the percentage of customers who purchased additional products during click & collect was 18.9% (in Germany excluding Parfumdreams and Niche Beauty).

Among our Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty), the share of our customers shopping via the omnichannel model has increased from 12.4% in the financial year 2016/2017 to 17.4% in the financial year 2019/2020. The share of customers shopping via the omnichannel was approximately twice as high among customers who were beauty card holders aged 16-35 years old. In addition, we believe that the omnichannel model increases customer engagement. For example, these omnichannel customers have a higher order frequency and therefore annual sales than customers who use only one channel. Among Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty) in the financial year 2019/2020, customer spend per year and number of purchases per year per customer for our omnichannel customers was twice as high as compared to customers who shopped only online or in our brick & mortar stores.

Well-placed for future growth via differentiated #FORWARDBEAUTY strategy

We believe we are an innovation leader in omnichannel beauty retailing in Europe and already at the beginning of the financial year 2017/18, we launched our #FORWARDBEAUTY strategy where we put our

online business at the center of our business with the aim of becoming an integrated, data-driven beauty platform. The strategy was based on the following pillars and we believe repositioned us as a modern, premium brand that is well-placed for future growth. We have updated our successful #FORWARDBEAUTY strategy and have started to implement the next phase, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing even more on digitalization to further develop integrated beauty platform and link our brick & mortar stores and e-commerce capabilities. In doing so, we aim to provide a more holistic journey for our customers. See "*Strategy–Further implement #FORWARDBEAUTY.DigitalFirst.*"

Brand positioning. We rejuvenated the Douglas brand with a new, updated logo, more modern and premium positioning as well as new visual brand language.

Store experience. We are developing our stores from being a point of sale to a point of experience for customers. We have established store clusters and invested in related store modernizations in order to facilitate a more tailored approach to each store's assortment, visual presentation, services and pricing. Formats range from flagship stores in high traffic locations in major cities that carry our full assortment and feature premium visual merchandising, luxury stores in high-end locations that carry luxury and niche brands and feature a more boutique design, prestige stores in premium neighborhoods that carry "must have" and trend brands and feature a sophisticated design and premium stores in prime shopping locations that focus on bestsellers and feature a more mainstream design. To enhance the "touch and feel" experience for customers, each store format also features a range of services such as beauty treatments, hairdressing and beauty school sessions. We believe that our new flagship stores, which have been established in key European cities such as Frankfurt, Berlin, Milan, Madrid, Hamburg and Munich, provide a best-in-class customer experience with features such as organic beauty products, niche perfumes, beauty lounges with treatment rooms as well as dedicated customer service stations.

Assortment. We have a broad assortment, featuring nearly 130,000 different SKUs on our online platform (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), which represents over twice the number of SKUs offered by our closest competitor. Our attractive product portfolio is balanced between fragrances, color cosmetics, skin care, and other products, which each comprised approximately 48%, 23%, 27% and 2% of our total sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams, and Niche Beauty) for the financial year 2019/2020, respectively. We feature many different major regional and international brands such as Chanel, Lancôme, Kiehl's, The Ordinary and Tom Ford sourced from suppliers with whom we maintain strong and often long-term relationships. In addition, we complement our broad assortment of selective products with products from exclusive brands such as Kylie Skin, Honest Beauty and Drunk Elephant and own brand products. In October 2019, we further bolstered our assortment with the launch in Germany of the first dedicated European premium beauty marketplace from an omnichannel player, which as of December 31, 2020, contributed nearly 84,000 different SKUs (in Germany including Parfumdreams and Niche Beauty) through our third-party retail and brand partners. We believe that properly curating our assortment is a key factor in customer retention and continue to identify new product categories and source emerging brands via our trend scouting process.

Customer relationship management. We have an extensive customer loyalty card program, which we believe is one of the largest among premium beauty in Europe. As of September 30, 2020, we had more than 44 million Douglas Beauty Card / Nocibé Card holders across Europe. As part of our #FORWARDBEAUTY.DigitalFirst strategy, we have adopted a data-centric approach to our customer relationship management. Using customer behavioral data collected from online purchases, use of our loyalty card and our marketing channels, our customer relationship management analytics allow us to personalize all future customer interactions across all channels by clustering customers into segments and providing them with tailored product recommendations, product news and other content. We believe that such personalized curation drives customer loyalty. In the financial year 2019/2020 in Germany (excluding Parfumdreams and Niche Beauty), the number of purchases per year per customer was 3.0 for Douglas Beauty Card holders and 5.4 for Douglas Beauty Card holders who used the Douglas App. Over the same period in Germany (excluding Parfumdreams and Niche Beauty and including VAT), the average spend per customer was €52.1 for Douglas Beauty Card holders and €53.4 for Douglas Beauty Card holders who used the Douglas App (compared to €50.8 for all customers in Germany). In addition, our customer interaction rates on our e-commerce platform have significantly increased, with our average daily social media reach (excluding Parfumdreams and Niche Beauty) amounting to 3.1 million in the financial year 2018/2019 and increasing to 8.0 million in the financial year 2019/2020. For the financial year 2020, in Germany, Italy, Spain and the Netherlands, we had average online traffic of over 500,000 customers per day.

Technology. We believe that our established technological infrastructure, comprised of our seamless and comprehensive omnichannel offering across online and offline channels, our state-of-the-art supply chain and flexible logistics network and our data-driven customer relationship management system, has enabled us to cope with changing customer behavior, in particular, the shift towards online retailing, which has accelerated as a result of the COVID-19 pandemic.

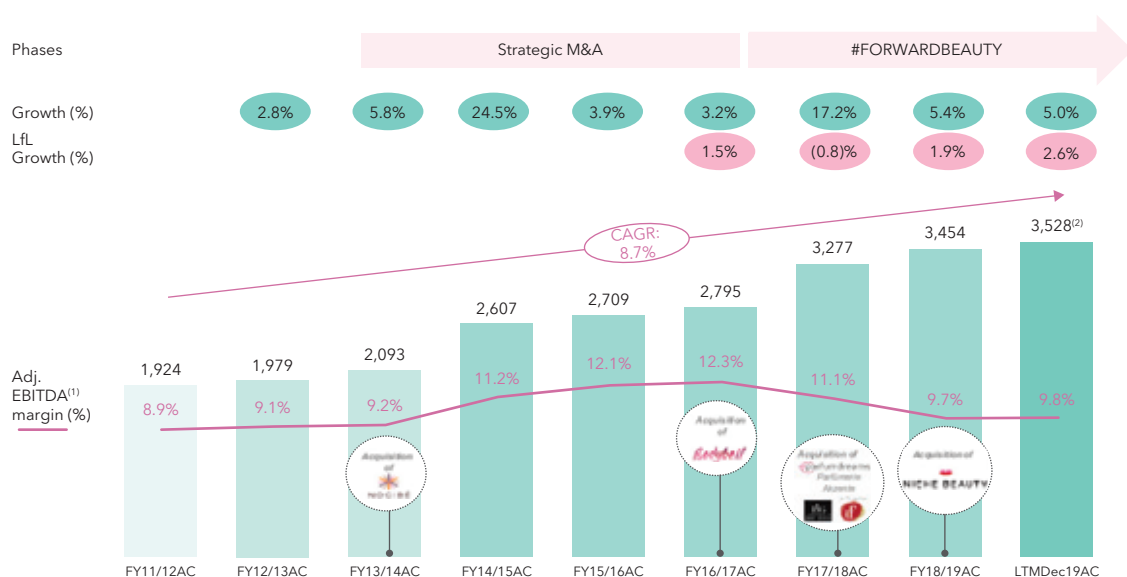
We have updated our #FORWARDBEAUTY strategy and are now implementing the next phase, known as #FORWARDBEAUTY.DigitalFirst. See “–Strategy–Further implement #FORWARDBEAUTY.DigitalFirst strategy” below.

Solid financial profile with strong momentum before COVID-19 that achieved market share gains in last financial year

We believe that we demonstrated the resilience of our business during the COVID-19 pandemic, having achieved segment share gains in the total premium beauty market across our core markets in both our online and store channels, including increases in overall segment share of 1.6 percentage points to 45.5% in Germany, 1.6 percentage points to 28.3% in France, 0.1 percentage points to 11.8% in Spain and 0.5 percentage points to 24.6% in Italy for the twelve months ended December 31, 2020 as compared with the previous year (excluding certain competitors such as Amazon e-commerce and Flaconi in Germany).

Prior to the COVID-19 pandemic, our consolidated sales had consistently grown over the last 8 years, supported by organic growth, strategic acquisitions and the implementation of our #FORWARDBEAUTY strategy, and our total consolidated sales amounted to €3.45 billion in the financial year 2018/2019. Bolstered by investments and initiatives undertaken in 2017 such as a new pricing strategy in Germany to optimize our price positioning, cost optimization measures aimed at maximizing operational efficiencies, achieving cost discipline and right-sizing our existing store portfolio as well as significant brand investments to increase sales of our own brand products and increase exclusive brand partnerships, our like-for-like total Group sales grew 1.9% from the financial year 2017/2018 to the financial year 2018/2019. In addition, we exhibit strong underlying free cash flow generation due to our high margins, low capital expenditures comprised mainly of investments in stores and central organizational functions and strict working capital management.

The chart below sets out our Adjusted EBITDA margin, net sales, net sales growth and like-for-like sales growth for the periods indicated.



(1) Adjusted EBITDA as presented in this offering memorandum differs from Adjusted EBITDA (as reported) in our historical consolidated financial statements. The chart shows margins for Adjusted EBITDA (as reported) up to financial year 2014/2015; and from financial year 2015/2016 onwards, the chart shows Adjusted EBITDA margin (i.e. margin for Adjusted EBITDA (as reported) post credit card fees and bad debt). See “Presentation of Financial Information”.

(2) Includes accounting for foreign exchange rates.

We have acted quickly in the face of the COVID-19 pandemic in order to preserve the strength of our business. For example, we have worked to preserve business continuity and cash flow generation by implementing health and safety measures across all our stores in accordance with government guidelines, focusing on store-to-customer delivery in our core market of Germany and significantly expanding our e-commerce capabilities through establishing a call center for online shoppers, increasing customer engagement through push notifications on our Douglas App as well as offering click & collect services in the second wave of lockdowns. We believe that our response to the COVID-19 pandemic as well as the shift in customer demand to e-commerce have resulted in like-for-like sales for e-commerce increasing by 58.2% for the twelve months ended December 31, 2020 as compared with the previous year and our total e-commerce sales exceeding €1 billion for the first time in the twelve months ended December 31, 2020. In addition, our brick & mortar gross profit margin remained relatively stable from 46.4% in the twelve months ended December 31, 2019 to 45.6% in the twelve months ended December 31, 2020 while our e-commerce gross

profit margin also remained relatively stable from 41.0% to 40.8% over the same period. While our brick & mortar Adjusted EBITDA margin decreased from 14.4% in the twelve months ended December 31, 2019 to 10.3% in the twelve months ended December 31, 2020, our e-commerce Adjusted EBITDA margin increased from 14.6% to 16.2% over the same period.

We are also actively managing our liquidity needs through strict cost and cash management and reporting, negotiating rent for our leased premises and taking advantage of rent deferrals where available, actively managing personnel expenses and working with suppliers to extend payments terms and manage returns. As a result, excluding proceeds from our drawdown of our existing revolving credit facility, our cash on balance sheet amounted to €90.8 million as of September 30, 2020 as compared to €81.0 million (excluding proceeds from our drawdown of our existing revolving credit facility) as of September 30, 2019.

Experienced and committed management team with strong sponsor support

We have an experienced executive management team with more than 70 years of combined experience in the retail industry, the cosmetics industry and in e-commerce, including our CEO Tina Müller, who has been with us since 2017 and initiated our differentiated #FORWARDBEAUTY and #FORWARDBEAUTY.DigitalFirst strategies, Matthias Born who has been our CFO since 2019, Vanessa Stütze, our Chief Digital Officer who has been responsible for our online business and customer relationship management since 2018 and Dr. Michael Keppel, our Chief Restructuring Officer who joined us in July 2020. Tina Müller has more than 20 years of experience in the cosmetics industry and previously held international executive positions at Wella and Henkel. Matthias Born was previously the CFO / COO of CBR Fashion and has over 10 years of dedicated experience in retail. Vanessa Stütze is the former Chief Digital Officer of the s.Oliver Group and has over 14 years of experience in the field of retail digitization and e-commerce. Dr. Michael Keppel has over 25 years of restructuring experience, especially in the wholesale and retail industry. We believe that our management team has successfully transformed us over the past few years from a traditional, brick & mortar beauty retailer into a modern, technology and data-driven beauty platform that is a leading beauty destination in Europe.

We continue to have strong shareholder support, including from CVC, a leading private equity and investment advisory firm with approximately U.S.\$109 billion assets under management and over U.S.\$160 billion of committed funds. To support the Transaction, CVC and the Founder Co-Investors, the Kreke family, will indirectly contribute equity of €220 million.

Strategy

In order to achieve sustainable growth and further increase our profitability, we focus on clearly defined key strategic objectives, leveraging the various strategic and operational measures we have implemented. Our strategic goals can be summarized as follows:

Further implement #FORWARDBEAUTY.DigitalFirst

We have updated our successful #FORWARDBEAUTY strategy and intend to implement the next stage, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing on further digitalization in order to create a holistic journey for our customers that spans across an integrated beauty platform that intuitively links our brick & mortar stores and e-commerce platform. Our strategy is comprised of the following elements:

Brand Positioning: As part of our #FORWARDBEAUTY strategy, we rejuvenated and upgraded the Douglas brand. We continue to focus on our positioning as a premium brand. In addition, we believe that strong niche brands like Parfumdreams and Niche Beauty complement our brand portfolio and attract different customer groups.

Store experience. As part of our #FORWARDBEAUTY strategy, we began developing our stores from being a point of sale to a point of experience for customers and are continuing to invest in store modernizations and formats.

Assortment. We believe that our broad assortment, which amounted to nearly 130,000 different SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), differentiates us from our competitors and will continue to build our relationships with suppliers with the aim of being their partner of choice for their top brands. We will also continue to add partners to our marketplace in order to strengthen our online platform as a one-stop-shop for beauty for our customers. We also intend to selectively enter new product categories that we believe are suitable for our business model such as the health and wellbeing segment.

Supply chain transformation. We are in the process of centralizing and streamlining our supply chain by integrating our physical and digital supply chain. We are moving towards a OWAC approach to physical supply chain where each of our logistic facilities will service our physical stores and e-commerce platform as well as handle partner fulfillment for our marketplace by carrying up to 150,000 SKUs per site. We intend to anchor our logistics operations with five distribution centers across Europe and in December 2020, started construction on the first site in Germany, which is fixed with ARVATO to serve the region Germany (excluding Niche Beauty), Austria, Switzerland the Netherlands (which based on sales represented approximately 50% of the Group's supply chain) which is expected to ship out its first orders in 2022. We currently expect that all five facilities will be owned, staffed and managed by third party logistics partners and thus will require no material capital expenditures. In addition, we began in December 2020 to digitalize our entire supply chain management with AI-powered forecasting and replenishment software with machine learning algorithms from RELEX solutions that we believe will enable us to increase product availability, improve inventory allocation, accelerate stock rotation in stores, improve labor productivity in stores and logistics facilities, and improve the impact of our marketing campaigns. The new system is currently being implemented in Germany and we expect the full transformation of our supply chain management to be complete in the next three years.

Data hub. Data is the key element of our #FORWARDBEAUTY.DigitalFirst strategy. We have developed and with each additional customer transaction, are continuing to build a Douglas data hub that collects data from our stores, our customer relationship management system, our website, our Douglas App and retail and marketplace data, as well as our performance marketing data. We intend to use this growing collection of data to train our machine learning algorithms, which in turn will enable us to manage our internal processes more efficiently, improve individualized customer offers and ultimately drive profitability.

Curation/CRM. We will continue to build and refine our data-centric customer relationship management system, which will enable us to deliver 1:1 marketing to customers by harmonizing customer data and customer journey tracking to allow more personalized curation across all channels in order to drive higher conversion rates and increase basket sizes. For example, we have introduced features such as individualized product news, beauty tips and product recommendations in our personalized newsletter (of which we sent over 1.2 billion copies across Germany, Italy, the Netherlands and Spain in the financial year 2019/2020), a personalized start page when customers visit our online shop, replenishment reminders and personalized push notifications through our Douglas App.

Complement accelerating e-commerce channel with Store Optimization Program

We believe that the COVID-19 pandemic has further accelerated the shift towards online retailing. As a result, in the summer of 2020, we began to reevaluate our store network based on economic viability and strategic fit in a post-COVID-19 "new normal". Following a top-down and detailed bottom-up analysis of our store network supported by external experts, we have created our SOP to actively improve profitability of our store network. Our SOP target is to close approximately 500 stores by the end of September 2022 across our network with a focus on Southern Europe, where there is a high store density within numerous catchment areas due to our historical acquisitions. To implement the SOP optimally and ensure well-managed store closures, we have developed detailed operational playbooks. We also have established a dedicated external team that reports directly to our CRO and engages with our country implementation teams to ensure that best practices are shared, and progress is tracked. In addition, we are in the process of optimizing staffing levels at our stores to improve efficiency and react to the reduction in store traffic as well as COVID-19-inflicted changes in customer behavior. As part of our SOP, we are also targeting rent improvements and intend to actively re-negotiate leases with our landlords for stores that will remain open. Based on the various elements of our SOP, we have identified potential for an overall improvement in our EBITDA of approximately €100 million as well as one-off net cash requirements (excluding any additional legal and consulting fees) of approximately €53 million by the end of the financial year 2021/2022. These costs have been reflected to a smaller degree in our financial statements, as the SOP was announced in January 2021, but execution has partially started beforehand.

Launch #ForwardOrganization in line with digital first strategy

In line with our #FORWARDBEAUTY.DigitalFirst strategy, we intend to implement #ForwardOrganization, which aims to standardize, harmonize and centralize aspects of our internal functions in order to improve efficiency and realize synergies across regions. As a first step, we have started the centralization of certain key functions such as e-commerce, customer relationship management and pricing. In connection with #ForwardOrganization, we have identified the potential for an overall improvement in our EBITDA of approximately €18-20 million as well as one-off cash effects (excluding any additional legal and consulting fees) of approximately €25 million.

Recent Acquisitions

In November 2017, we completed the acquisition of 103 stores and the e-commerce platform of Perfumerias If, one of the leading perfumery and cosmetic chains in Spain (including Andorra). In November 2017, we also acquired Limoni S.p.A. ("Limoni") and La Gardenia Beauty S.p.A. ("La Gardenia"), two leading Italian beauty and perfumery chains which together comprised approximately 500 stores across Italy. We believe that the acquisition made us a leading premium beauty player in Italy in 2018 and solidified our position in the Italian beauty sector, further bolstering our pan-European footprint.

In August 2018, we acquired an 80.0% interest in Parfümerie AKZENTE GmbH ("Parfumdreams"), which comprised an online shop and brick & mortar stores in Germany. We believe that the acquisition further bolstered our e-commerce platform. The remaining 20% of Parfumdreams is subject to several put and call options, including a put option held by the seller that expires at the end of 2021 and a put and call option that can be triggered by certain defaults.

In July 2019, we acquired a 51.0% interest in Niche-Beauty.COM GmbH ("Niche Beauty"), an emerging online portal for luxury, niche and trend cosmetic brands. We believe that the acquisition of Niche Beauty strengthens our premium and niche assortment and aligns with our #FORWARDBEAUTY strategy. We expect to acquire the remaining 49.0% interest in Niche Beauty in the next two years.

Product Offering and Assortment

Product Categories

Our main product categories are fragrances, skin & body care, color cosmetics (i.e., make-up) and hair cosmetics. We also offer complementary product categories relating to, for example, "living" (home accessories, such as home textiles, dishware or decoration articles) and "accessories" (for example, scarves and fashion jewelry). In response to new trends relating to medical brands, natural brands and nutritional supplements, we created the new product category "beauty food", which are food supplements focusing on beauty from within.

We aim to address all price levels and all relevant customer types through our comprehensive portfolio with a particular focus on fragrance and beauty products.

The following chart provides an overview of our main product categories and their respective sub-categories:

Fragrances	Skin Care	Color Cosmetics	Hair Cosmetics	Beauty Food	Others
Women Men	Body	Lips	Care	Skin	Bath & Shower
Unisex	Face Hand & Foot Sun Care	Nails Eyes Complexion Paintbrush Accessories	Styling Tools	Nails & Hair Beauty & Sleep	Deodorants Living Other Accessories Professional beauty

During the COVID-19 pandemic, we experienced and are continuing to experience shifts in the mix of products purchased by our customers, which we attribute to the hygiene measures implemented to reduce the spread of COVID-19. These measures include the widespread wearing of masks and the increased prevalence of working from home. For example, we experienced a higher share of sales from skin and body care, while sales attributable to make-up decreased.

Fragrances

Fragrances have been our largest product category in the financial year 2019/2020, with a slightly increasing contribution of approximately 48% of sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams and Niche Beauty). Our sales are typically driven by female fragrance products. While eau de cologne, eau de toilettes and eau de parfum account for the vast majority of our sales from this product category, auxiliary products such as bath lines and shower gel or body care products (which, for example, may be included as part of a gift set in combination with a fragrance) represent an additional small portion of the sales from fragrances.

Our product portfolio comprises a comprehensive assortment of fragrances for women and men as well as unisex fragrances. The focus of our fragrance offering is on fragrances from established beauty brands, premium and luxury fragrances, including fragrances by Chanel, Dior, YvesSaintLaurent, Tom Ford, Givenchy,

and Guerlain, as well as fragrances of so-called famous faces, lifestyle and sports fragrances, niche, trendy and designer fragrances. Furthermore, our product portfolio includes so-called "masstige" (i.e., affordable products intended for the mass market, but which through packaging and other characteristics are perceived as being prestige products) and, to a lesser degree, mass fragrance products.

Skin Care

We offer a full range of skin care products, including day creams, night creams, serums, masks, tonics, firming and slimming products and auxiliary products such as cleansers, as well as sun protection. In the financial year 2019/2020, skin care products accounted for approximately 27% of our total sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams and Niche Beauty). The vast majority of our sales in this category are generated by women's skin care products in general and women's face care products in particular. Men's skin care products have gained importance and we expect this trend to continue due to the more pronounced awareness of men regarding their personal appearance. A further trend relates to increasing product differentiation, such as natural cosmetics or hybrid, multi-benefit skin care products (e.g. products combining the benefits of skin care and make-up into one).

Our portfolio includes products from established beauty brands, premium and luxury skin care brands, such as La Prairie, La Mer, Sensai, Augustinus Bader, Dr. Barbara Sturm, Sisley and MBR. We also offer designer skin care brands (such as Chanel and Christian Dior), skin expert brands, brands specialized in wellness/natural products and some masstige and mass brands. In the skin care segment, we strive to increase the share of our own brand products in our overall sales to attract younger and new customer groups. For example, we successfully launched the doctor brand "Dr. Susanne von Schmiedeberg" across Europe, and the clean beauty brand "One.two.free!".

Color Cosmetics

Our color cosmetics portfolio comprises a comprehensive range of cosmetic products for lips, such as lip sticks and lip glosses, nail products, such as nail polish and nail care products, eyes cosmetics, such as mascaras, eye shadows and eyeliners, complexion cosmetics, such as liquid make-up, concealer and compact powder and make-up accessories, such as make-up brushes. Color cosmetics generated about 23% of our total sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams and Niche Beauty) in the financial year 2019/2020. Our most significant color cosmetics sub-category in terms of sales is complexion, followed by eye cosmetics, lips and the rapidly growing nails category.

We offer a full range of color cosmetics, with a focus on established beauty brands, premium and luxury color cosmetics (including from Mac, Benefit, Artdeco and Lancôme), artist and specialist products as well as our exclusive brands like It Cosmetics and Neonail. In addition, we offer masstige and mass products and natural color cosmetic products. Our offering also includes numerous color cosmetic products from our own brands, for example, "Douglas Make-up" and "Nocibé Artiste", which generally aim at the premium price level.

Hair Cosmetics

We offer a select range of hair cosmetics products for regular use, such as shampoos, conditioners, treatments, hair tonics, products for nurturing the scalp, styling products and tools, brushes and combs as well as coloration.

Beauty Food

In January 2019, we launched our Beauty Food category and introduced a new category of beauty food products such as food supplements and our "#INNERBEAUTY" brand of nutritional supplements, which range from liquids to tablets and beauty gummy bears as well as shots with concentrated ingredients.

Other Products

We offer a select range of complementary products under our own brands, third-party brands or as unbranded articles, to extend our core product portfolio. Sales of such other products represented approximately 2% of our total sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams and Niche Beauty) in the financial year 2019/2020.

Besides typical auxiliary beauty and personal care products, such as make-up and hair accessories, bath and shower products, deodorants and gift sets, this category also includes professional beauty products, such as electrical skin cleaning brushes, home accessories, such as home textiles, dishware or decoration

articles, and personal accessories, such as scarves and fashion or costume jewelry. In addition, we offer special seasonal and themed products, such as Christmas or Easter decorations or products relating to particular events. Some of the products in our “other products” category are partially offered via our marketplace in order to complement our own offerings.

We believe that our complementary product portfolio strengthens our beauty competence, and theme-related or seasonal products constitute “small extras” that are often purchased by customers in addition to other beauty products.

Product Types

We have extensive product type offerings comprising a mix of selective, exclusive and own brand products with which we target different segments within the European beauty and personal care market.

Selective Products

Selective products are fragrances, skin & body care and color cosmetics products from third-party, mostly premium brands sold only by selective retailer partners, which are our most important product type and a key traffic builder for us. As part of our selective product offering, we market a full range of fragrances, skin & body care and color cosmetics products with a wide array of major national and international brands. The distribution of selective products is limited to selected retailers which have to meet specific qualitative and quantitative criteria. For more information, see “–Operations: Suppliers and Supply Chain Management, Logistics, and Information Technology–Suppliers and Supply Chain Management–Suppliers”.

We believe that the top brand suppliers consider us as an important strategic partner in the European selective beauty retail markets in which we operate, particularly in our six core countries. We also believe that our core strength lies in the fact that we offer a broad and comprehensive assortment of products from different brands, through a dense network of brick & mortar and online stores.

Exclusive Products

We offer certain brands exclusively or are granted exclusive rights to offer such products in certain countries. Exclusive brands are an important source of differentiation *vis-à-vis* competitors. Exclusive products typically have higher margins than other selective products while also contributing to increase customer loyalty.

In Germany and France alone, in the financial year 2019/2020, our exclusive offering included more than 95 brands that range across all of our product categories. In Germany, we exclusively offered products from nearly 60 different brands. In addition, Nocibé’s exclusive offering in France comprised products from more than 50 brands.

Exclusivity is typically granted for one or two years, particularly for newer brands, in order to be able to retain flexibility, and a somewhat longer period (for example, three years) in the case of certain exclusive products of well-established brands. In many other respects, including the sourcing process, exclusive products are similar to the other selective products and are often provided by some of the same suppliers. We typically share part of the marketing costs for such products with the supplier and receive attractive tester/sample packages relating to these exclusive products. Potential exclusive partners typically value the possibility to cooperate and further develop their brand with us as their exclusive partner, due to our leading market positions in many of the countries in which we operate and the advantages of having a single distribution channel.

Our exclusive products are selected on the basis of a trend scouting process and a related brand assessment that analyzes whether a potential new exclusive product fits well within our brand and assortment strategy. We are receptive to proposals from the products’ suppliers and also approach suppliers pro-actively when we identify a product or type of product that we consider to be attractive to offer on an exclusivity basis. Among the criteria that we consider when assessing potential exclusive products are brand awareness, estimated sales and margin prospects, differentiation from competitors, the potential to attract new customers or reinforce the loyalty of existing customers and the period for which exclusivity is granted. In some cases, exclusive products are distributed only through our e-commerce platform. This allows us to test how a product performs before extending the partnership to our stores.

“Own Brands” including our “Douglas Collection” products

Our category of own brands includes both “Douglas” and “Nocibé” labeled products, as well as an attractive, innovative and growing range of brands that we own, but that are neither called Douglas nor Nocibé

but are positioned independently. Recent examples include the doctor skin care brand “Dr. Susanne von Schmiedeberg”/Dermacosmetics and our “#INNERBEAUTY” brand of nutritional supplements.

Our “Douglas Brand” products, which focus on color cosmetics, body care, skin care and accessories, are positioned in the premium price segment. We believe our own brand products also help increase store traffic, and are more “trend-oriented” targeting, in particular, new and younger customers, thereby rejuvenating and broadening our target customer base and image. Furthermore, our own brand products that are not branded Douglas or Nocibé, such as “One.two.free!” or “Dr. Susanne von Schmiedeberg”/Dermacosmetics, enable us to move our own brand products into higher price segments with higher price points, which in turn drives higher margins. In the financial year 2019/2020, our own brand products accounted for 6.6% of our total sales.

While we do not manufacture or develop any products ourselves, we cooperate with manufacturers and suppliers of our own brand products, who, in some cases manufacture the product exclusively for us.

We source our own brand products from a diversified portfolio of suppliers in Europe and Asia, in order to facilitate price benchmarking and assist with negotiations. Generally, we engage the same suppliers as large established beauty brands to ensure the requisite product quality. Before selecting a supplier for a new own brand product, we compare the price and quality of the product from at least two potential suppliers. We also apply strict quality standards to our own brand products. Our sourcing is based on an order-by-order concept, where we select our suppliers and enter into individual contracts for each own brand product or product line. Such contracts are usually entered into for an indefinite period and may typically be terminated with six-months’ notice.

Our sourcing contracts set demanding standards and incorporate provisions that require the supplier to comply with applicable laws and carry out certain tests relating to product safety while other tests are carried out by our own product managers in cooperation with third parties. In addition, depending on the designated specification of the product, we may demand further tests be executed by the respective suppliers and/or third-party testing facilities, for example to measure how effective products are (e.g., the moisturizing qualities of a product), how the product might respond to transportation, and how appropriate product labeling might be ensured. We currently implement a process to audit all new own brand suppliers and existing suppliers every two years. In the event of repeated non-conforming products or other difficulties, we audit our suppliers as required.

Beauty Services

In the past, we introduced various formats for beauty services and continuously experimented with new service offerings. Our stores offer some services to customers free of charge as part of our overall service offerings (for example, five-minute make-up, skin type advice and quick nail polishing). Many stores also provide professional manicure and make-up services. In certain stores we offer even more extended beauty treatments, such as hairdressers or beauty centers/spas. In France, most of our Nocibé stores are equipped with beauty cabins.

Product Assortment Strategy, Product Development and Trend Scouting

Our strategy regarding product assortment is two-fold: while our new in-store concept is based on offering bestsellers and new brands which positively influence the image of the Douglas brand, we strive to further expand our already comprehensive offering online of nearly 130,000 SKUs as of December 31, 2020 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace) in the coming years, with the goal of offering our customers the broadest product range in the European beauty market. This strategy allows us to address the different demands of our customers with a representative product assortment in our brick & mortar stores and a broader assortment online. As a result of our cross-channel capabilities, our online product portfolio is accessible to our store personnel, who can order products physically unavailable in the relevant store and have them delivered either to the store or directly to the customer.

Our brick & mortar assortment concept is based on a modular store system, including dedicated concepts for small, medium-sized and large stores, which allows for a high degree of automation in supply management (with benefits such as the automation of replenishment of stock, less resource used ordering out-of-stock products of our permanent portfolio in the individual stores and less stock-outs), yet includes enough flexibility to cater to the specific needs of certain stores.

We see ourselves as an innovation leader in the beauty and personal care industry, introducing many of the latest trends and new products into the European market for beauty and personal care products. In addition to the introduction of new products, we constantly aim to further develop and enhance our beauty

and customer services offerings in our brick & mortar stores and online. Due to the complexity of, and the dynamic changes in the global beauty market, we have established an international competence center, where we have concentrated our corresponding expertise, essential for discovering and evaluating the latest customer trends and needs in the context of the overall beauty and lifestyle environment. Assortment decisions are made by our country purchasing directors, who are experienced in their respective markets and ensure such decisions are in line with our central assortment category management and supported by market analyses. We have a dedicated trend scouting team which constantly assesses new innovative brands and products and cooperates with a global trend scouting agency. Recent examples of products we have introduced include Fragrance of Shirin David, Skincare Florence by Mills as well as the European wide exclusive launch of Kylie Skin by Kylie Jenner in 2020.

Sales Channels, Omnichannel Approach and Payment Methods

We operate both through an extensive network of over 2,300 stores in 20 countries across Europe, which includes primarily directly operated stores, but also franchised stores (see “Our Store Network” below) and through our e-commerce activities with online shops in 24 countries.

The following table provides an overview over the number of stores, the online shops, both as of December 31, 2020, and the year of our market entry in the markets in which we operate:

Country	Market Entry	Number of stores ¹	Online shop
Germany	1910	435	Yes
France (including overseas territories)	1986	607 ²	Yes
Italy	1989	508	Yes
The Netherlands	1980	111 ³	Yes
Poland	2001	145	Yes
Austria	1973	45	Yes
Spain	1997	293	Yes
Portugal	1998	28	Yes
Hungary	2001	22	Yes
Latvia	2007	23	Yes
Lithuania	2007	23	Yes
Croatia	2008	28	Yes
Switzerland	1991	9	Yes
Bulgaria	2008	18	Yes
Czech Republic	2004	23	Yes
Romania	2007	33	Yes
Monaco	2002	4	No
Estonia	2007-2009, 2018	2	Yes
Slovakia	2005-2008, 2017	9	Yes
Andorra	2017	5	No
Belgium	2018	–	Yes
Denmark	2004-2010, 2018	–	Yes
Finland	2018	–	Yes
Ireland	2018	–	Yes
United Kingdom	2018	–	Yes
Sweden	2018	–	Yes

(1) Number of stores including franchised stores.

(2) Including 122 franchised stores.

(3) Including 19 franchised stores.

Our Store Network

We operate an extensive, modern and well-invested retail network comprising 2,230 directly operated stores and 141 franchised stores in 20 European countries, as of December 31, 2020. We target highly frequented locations for our stores such as city centers and shopping malls. In terms of geographical spread, we operate in many European cities, primarily in urban locations, and have nationwide coverage in our key markets of Germany, France, Italy, Spain, the Netherlands and Poland.

As part of our #FORWARDBEAUTY strategy, we are developing our stores from being a point of sale to a point of experience for customers. We have established store clusters and invested in related store modernization measures, in order to facilitate a more tailored approach to each store’s assortment, visual presentation, services and pricing. Formats range from: (i) flagship stores in high traffic locations in major cities

that carry our full assortment and feature premium visual merchandising, (ii) luxury stores in high-end locations that carry luxury and niche brands and feature a more boutique design, (iii) prestige stores in premium neighborhoods that carry “must have” and trend brands and feature a sophisticated design and (iv) premium stores in prime shopping locations that focus on bestsellers and feature a more mainstream design. To enhance the “touch and feel” experience for customers, each store format also features a range of services such as beauty treatments, hairdressing and beauty school sessions. We believe that our new flagship stores, which have been established in key European cities such as Frankfurt, Berlin, Milan, Madrid, Hamburg and Munich, provide a best-in-class customer experience with features such as organic beauty products, niche perfumes, beauty lounges and treatment rooms as well as dedicated customer service stations. For example, in June 2020, we opened our largest flagship store in Munich, which features a pilot project that allows us to test new store concepts, beauty services and products with customers before being rolled out to other stores. We are also testing new store formats such as Douglas PRO, a store dedicated to outer and inner beauty, with a greater focus on skin care and medical beauty. Our first Douglas PRO store opened in Hamburg in September 2018, and the format is also present in our ecommerce shop. Our brick & mortar conversion rate grew by 7.8% to 35.0% for the financial year 2019/2020. The average basket for our brick & mortar stores also grew by 4.5% to approximately €46 in the financial year 2019/2020.

We also operate franchised stores, primarily in France, where approximately half of such stores are located in the French overseas territories, but also in the Netherlands. We believe the franchised store concept helps us with entering new catchment areas outside of our own network. While our franchisees in the Netherlands operate between one and three stores, approximately 80% of our franchisees owned only one store. In France, franchisees operate between one and seven stores (with the exception of one franchisee operating 21 stores), as of December 31, 2020. Approximately half of our French franchisees owned only one store. We consider our franchise network as being complementary to our own stores. For example, in France the franchised stores complement our network of owned stores to ensure a nationwide footprint.

The standard length of a franchise contract is five years, typically including a renewal clause for our benefit. Our franchise contracts grant the franchisee the right to operate a store using the Nocibé store brand (in France) and the Douglas brand (in the Netherlands). The franchisees in France have their own purchasing processes with suppliers under the commercial conditions negotiated by us and—except for own brands and certain exclusive products—we do not sell any products to them; however, in other countries, we do supply our franchisees with other products. We normally provide certain commercial and marketing assistance to our franchisees (such as coordinating store window displays during the Christmas or Mother’s Day period). Most of our franchise contracts provide us with preemption rights to purchase the store in case a sale is envisaged by the franchisee. The criteria that we consider when deciding whether to purchase a franchised store or not includes the sales of such store, store location, the number of customers, profitability and the length of time that the store has been our franchise.

We review our store portfolio on an on-going basis in order to systematically enhance our network of stores. In light of the shift in customer behavior towards online retailing, which has been accelerated by the COVID-19 pandemic, we have launched our SOP. Our SOP targets closing approximately 500 stores by the end of September 2022 across our network but with a focus on Southern Europe, where our sales from brick & mortar stores were particularly affected by the COVID-19 pandemic and where there is currently high overlap in store locations due to our historical acquisitions. See *“Business–Strategy–Complement accelerating e-commerce channel with Store Optimization Program”*.

During the period from October 1, 2017 to December 31, 2020, we added 454 own stores to our network on a net basis (including stores that were acquired as part of the acquisitions of Limoni and La Gardenia in Italy as well as Bodybell and Perfumerias If in Spain and Andorra). The net increase of 454 stores resulted from 110 new store openings, 629 store acquisitions and the closure of 285 stores. Although we are reducing the overall number of our brick & mortar stores, we aim to selectively open stores in attractive catchment areas, especially in Eastern Europe, which we view as a growth market.

Our E-Commerce Platform

We believe we operate the leading online beauty platform in our core markets in Europe with online shops in 24 different European countries. Our e-commerce sales amounted to €423.3 million in the financial year 2017/2018, €584.1 million in the financial year 2018/2019, €821.5 million in the financial year 2019/2020 and €1,006.3 million in the twelve months ended December 31, 2020, representing 12.9%, 16.9%, 25.4% and 32.3% of total sales, respectively.

We are committed to continuously improving our online shops with a focus on enhanced user experience. For example, our shop has been responsive since 2018. In February 2021, we relaunched our online shop in Germany on the new cloud-based SAP Hybris platform, with further UX and UI improvements, as part of a “mobile first” approach. Sales via mobile devices, including via the Douglas App, comprised 64.1%

and 23.7% of our e-commerce revenue in Germany (excluding Parfumdreams and Niche Beauty) respectively, for the financial year 2019/2020. In the financial year 2019/2020, we launched our "Douglas LIVE" shopping service, a social commerce channel within our online shop where influencers, beauty advisors and employees present products and trends via livestream that can be immediately purchased by our customers.

Our e-commerce sales category mix is similar to the stores mix, with fragrances comprising approximately 37.1% of sales in the financial year 2019/2020, followed by skin care with approximately 34.2%, color cosmetics (make-up) with approximately 26.1%, and other products with approximately 2.7%, based on our sales in Germany (including our marketplace, excluding Swiss e-commerce, Parfumdreams and Niche Beauty), the Netherlands and Poland. However, our online portfolio comprises more products than our store-based offering, since our brick & mortar stores are subject to space constraints.

In Germany, our e-commerce and omnichannel customers are on average younger than our store-only customers (based on an analysis of our Douglas Beauty Card holders). In the financial year 2019/2020 based on Douglas Beauty Card holders in Germany excluding Parfumdreams and Niche Beauty, our German e-commerce business exceeded a customer retention rate of 64%, the average order size was approximately €65 and the order frequency was approximately three orders per financial year per customer. Customer retention rate for Douglas Beauty Card holders is defined as the percentage of active customers who have been active before a given period. For the same period, our average delivery costs for online orders amounted to approximately 10% of net sales.

Our Marketplace

In October 2019, we launched our beauty marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment and revenue streams and enter new product categories such as pharma beauty, jewelry, home accessories and fashion without having to build up inventories or incur logistics costs. Furthermore, we also use the stock of partners to backfill our products which are out of stock. Through our marketplace, we list products from third party suppliers and brands and we put their prices on our online shop. If a customer orders a product, we process the payment and then in turn order that product from the relevant third-party partner. Products are then delivered directly by our partners to the end customer. The marketplace is fully integrated into our existing e-commerce framework and provides customers with a seamless shopping experience. Our partners are solely responsible for the sourcing and supply of products. In addition, our marketplace also provides us with indirect revenue streams via media sales, such as sponsored product ads on our e-commerce platform or external media campaigns that use our customer data. We may in the future add other sources of indirect revenue such as charging a fee to handle order fulfillment for the marketplace.

As of December 31, 2020, our marketplace in Germany featured 101 partners including beauty suppliers like Talea, online pharmacies like apo-rot (belonging to the Doc Morris Group), or vendors of accessories and jewelry like Brandfield, Butlers or Christ and offered nearly 84,000 different SKUs (in Germany including Parfumdreams and Niche Beauty). Our partners are carefully vetted and must meet high quality standards. The marketplace function is currently active in our online shops in Germany, Austria and France. It is expected to be rolled out to Poland in March 2021 and other core markets such as the Netherlands and Italy in the financial year 2020/2021.

Omnichannel Approach

Our omnichannel approach is focused on providing customers with a seamless shopping experience across all available retail channels, including brick & mortar stores, mobile internet devices, computers, and in relation to marketing activities, including television, radio, mailings and social media. In order to address and track customers tastes and shopping patterns through a variety of channels, we use an omnichannel approach and offer cross-channel activities that include, for example, integrated databases of products, prices and promotions, and integrated interfaces linking mobile/online applications, the brick & mortar stores and logistic processes. In addition, by tracking customer behavior such as purchase patterns, website visits and use of our Douglas Beauty Card / Nocibé Card through our data-driven customer relationship management platform, we are able to build efficient marketing tools tailored to each customer, provide one-to-one communication with our customers and optimize our supply chain.

One major advantage for our omnichannel customers is the ability to get advice and other services or test products directly in the store, while ordering additional products from our full online product assortment which customers can access via online/mobile features in the store itself (or conveniently from the office or home) and have them delivered to their home address or to the store, in some cases on the same day if ordered in time. We believe that this ability to "touch and feel" our products in our stores remains a key competitive advantage against the increasing competition from pure-play online retailers, who cannot offer a similar shopping experience. As part of our updated #FORWARDBEAUTY.DigitalFirst strategy, we are

continuing to invest in e-commerce in order to offer an integrated cross-channel service to customers covering pre-sales information, stock availability, consultation, payment and product delivery. Such services include in-store orders, click & collect, ship from store, online stock information, online appointment scheduling before store visits and cross-channel couponing.

Payment Methods

We offer a number of customary payment methods tailored to meet our local customers' payment preferences. In our stores across Europe, customers can generally choose among payment in cash, with credit or debit card or with gift cards and in Germany and Austria also with their Douglas Beauty Card Premium. In addition, we also offer mobile payment services like Apple Pay and contactless payment as well as our digitized Douglas Beauty Card Premium (also embedded in our mobile Douglas App) in Germany. Our e-commerce platform offers a variety of payment methods such as invoicing, credit and debit cards, PayPal, advance payment, online bank transfer pursuant to the electronic payment standard, direct debit, checks, the Douglas Beauty Card Premium and gift cards. In addition, we have been introducing state-of-the-art digital payment methods like iDeal on douglas.nl and P24 on douglas.pl. We offer these methods free of charge (other than charging a small annual fee for the Douglas Beauty Card Premium, which has a payment function). We believe that offering a wide array of payment methods according to local preferences enhances customer satisfaction and improves our check-out conversion with respect to our e-commerce sales (that is, the rate of customers who complete the check-out process after selecting products to buy from our websites). We also have tax free options for Non-EU-residents shopping in the EU, such as Global Blue, China Union Pay, and JCB (for Japanese residents) as well as Alipay, who can obtain a refund of VAT paid.

As we take on credit risk associated with certain payment methods, we have implemented risk management systems to contribute to a reduction of the exposure to such risks, including fraud. For example, in Germany, we are preparing to implement machine learning to further increase protection against financial loss, with regards to our open invoice solution.

Brand Strategy, Marketing and Customer Relationship Management

Brand Strategy

As part of our #FORWARDBEAUTY strategy, which puts e-commerce at the center of our business, we have continued to make investments in e-commerce. We have modernized and rejuvenated the Douglas brand, including a new, updated logo, more modern and premium positioning as well as new visual brand language. Our brand strategy is centered around further increasing the appeal of our Douglas brand as a preferred platform for our customers and suppliers across Europe. We believe that we distinguish ourselves from competitors through our emotional, innovative and customer-centric approach as well as customer-specific marketing and offerings enabled by our data-driven customer relationship management tools. In France and Monaco, we use the strong Nocibé brand. We currently concentrate our e-commerce activities under the Douglas brand, Parfumdreams and Niche Beauty (and Nocibé in France and Monaco). The next step in our strategy is the evolution of #FORWARDBEAUTY into #FORWARDBEAUTY.DigitalFirst, which builds off our updated brand presence and addresses changing customer behavior towards online retailing by integrating our e-commerce capabilities with our brick & mortar stores, into one digitally driven beauty platform.



Marketing

Our marketing strategy is built on our strong Douglas / Nocibé brand and aims to attract and retain consumers and suppliers to the Douglas beauty platform. Under the Douglas / Nocibé brand, our products and services are marketed via multiple media channels, curated customer recommendations and promotions (in store and online). In the financial year 2019/2020, our total gross marketing and advertising expenditure amounted to €197.8 million, representing 6.1% of our sales. A significant portion of our marketing spend is allocated to performance marketing.

Our marketing expenditures contain investments into the Douglas / Nocibé brand to further build awareness and trust. We launch TV, print and digital performance campaigns which emphasize our positioning as a modern brand that fosters diversity and inclusion, empowering everyone to live their own kind of beauty. Those campaigns are extended via social media channels, where we also launch separate campaigns on topics of interest for our consumers. We cover the most beauty-relevant channels, such as Facebook and Instagram (with more than 6.4 million followers as of September 30, 2020 in our core countries), Google+, Pinterest and YouTube with beauty tutorials, competitions and expert contributions. As of September 30, 2020, our average daily social media reach was 8.0 million, including both paid and organic reach. We also offer our augmented reality service, Beauty Mirror, and individual beauty tips. Most recently, and with promising results, we have started our live shopping service Douglas LIVE, where our beauty advisors, influencers and brand testimonials introduce products via livestream that can be immediately purchased by customers as well as a "ship-from-store" delivery option.

The majority of our marketing material is produced centrally along an integrated marketing calendar, which comprises the big seasonal campaigns (e.g. Christmas, Mother's Day, Singles' Day) and the corresponding toolboxes for all channels (e.g. posters and displays for stores, newsletters, banners and stories for e-commerce, as well as numerous still and moving assets for the social media channels). In addition, we also create marketing for other seasonal occasions (Women's Day, Day of the Kiss, etc.) including related e-commerce stories. A significant portion of our marketing is used to promote supplier brands along all customer touchpoints and we often offer our marketing services when contracting with new brands with limited marketing experience or expertise. To support the evolving requirements from both our suppliers and customers, we operate approximately 210 asset production days in a studio. For the financial year 2019/2020, we had a marketing and advertising cost ratio of 6.1%.

We believe that our ability to reach millions of consumers daily along a significant variety of touchpoints provides us with a competitive advantage that enables us to sell advertising space to our partners, which in turn helps fund a significant portion of our own marketing expenditures.

Customer Relationship Management

Managing and maintaining the relationship that we have with our customers is an important part of our business. In this regard, we view our customer service as an important part of our strategy, as it provides direct feedback from our customer base and helps to interpret customers' satisfaction with our products and service and customers' needs. A systematic customer lifecycle management with dedicated measures to win new customers, activate, retain and develop existing customers, and, if necessary, re-activate and win back former customers is at the heart of our customer relationship management strategy. Household penetration rates, which we define as the number of customer cards per country in our core countries divided by the number of households based on publicly available data in our core countries, increased to 31.4% in the financial year 2019/2020. Reachability, defined as how many customers are reachable at least via one communication channel and have given us the permission to do so, increased by approximately 8% from the financial year 2018/2019 to the financial year 2019/2020.

An important tool in our customer lifecycle management is our customer loyalty card program, which we believe is one of the largest in Europe with more than 44 million Douglas Beauty Card / Nocibé Card holders across Europe, including more than 35 million Douglas Beauty Card holders and more than 9 million Nocibé Card holders in France and Monaco as of September 30, 2020. As of September 30, 2020, we also have approximately 2.6 million Douglas Beauty Card Premium members in Germany. As part of our loyalty card program, we also promote the Douglas Beauty Card Premium, a premium card that requires an annual fee and offers additional benefits such as invitations to exclusive events, pre-launches of new products and the "Douglas magazine", which has a total circulation of approximately 11 million copies in Germany.

As part of our updated #FORWARDBEAUTY.DigitalFirst strategy, we have adopted a data-centric approach to our customer relationship management. Using customer behavioral data collected from online purchases, usage of our Douglas Beauty Card / Nocibé Card and our marketing channels, our customer relationship management analytics, driven by machine learning algorithms and artificial intelligence, allow us to personalize all future customer interactions across all channels by clustering customers into segments and

providing them with tailored product recommendations, product news and other content. We believe that such personalized curation drives customer loyalty and increases the frequency of customer interactions. Our customer relationship management system assists us in getting to know our customers better, and to provide them with personal recommendations, beauty content relevant to their preferences, and specific offers, which in turn drives higher sales. In addition, we monetize our customer data by selling it to third parties who, for example, use such data to optimize their products and for marketing performance campaigns. In the financial year 2019/2020, our retail media sales amounted to approximately €2.9 million, and our data sales amounted to approximately €5.4 million in the calendar year 2020.

In the financial year 2019/2020 in Germany (excluding Parfumdreams and Niche Beauty), the number of purchases per year per customer was 3.0 for Douglas Beauty Card holders and 5.4 for Douglas Beauty Card holders who used the Douglas App. Over the same period in Germany (excluding Parfumdreams and Niche Beauty and including VAT), the average spend per customer was €52.1 for Douglas Beauty Card holders and €53.4 for Douglas Beauty Card holders who used the Douglas App (compared to €50.8 for all customers in Germany).

In addition, we believe that omnichannel customers have a higher order frequency and therefore annual spend than customers who use only one channel. Among Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty) in the financial year 2019/2020, the average spend per year at €359 and number of purchases per year per customer at 6.7 for our omnichannel customers was twice as high as compared to customers who shopped only online or in our brick & mortar stores.

Customers

Our business model focuses on consumers and we are therefore not exposed to any customer concentration risk. Additionally, given the short payment terms of our sales, we have a low level of receivables and bad debt expense.

Women have traditionally been, and continue to be, to a large extent the gender with the largest spending for beauty and personal care products. In addition, women tend to be the decision makers in terms of overall family health and beauty spending. Thus, we consider women as our most important customer group. However, men are increasingly dedicating more time to, and spending more money on, their personal appearance. As a result, men have also become an important target group of ours that we address through a dedicated space in our store layout as well as special product offerings.

Based on our internal data for our Douglas Beauty Card holders, the average age of our German customers is 43. Customers with a Douglas Beauty Card Premium, which requires an annual fee, are on average 51 years old while our basic Douglas Beauty Card attracts younger customers with an average age of 36.

Our strong brand, broad and deep product offerings and focus on personalized and professional customer service have created a very satisfied, loyal customer base, regarding both our brick & mortar as well as our e-commerce business. Based on a consumer survey conducted by OC&C in 2019, we are seen as a top choice for premium beauty products, both online and offline, across most of our core countries.

Operations: Suppliers and Supply Chain Management, Logistics and Information Technology

Suppliers and Supply Chain Management

Suppliers

We source our selective products from virtually all major national and international brands of beauty products, with which we have established close and long-standing relationships, reflecting the interdependence of selective beauty suppliers and retailers like us. In Germany for example, our top five suppliers of selective products accounted for less than 55% of our total purchasing volume in the financial year 2019/2020. None of our suppliers amounted to more than 20% of our total purchasing volume in the financial year 2019/2020.

With respect to selective products, we enter into three different types of contracts with our suppliers, namely selective distribution contracts, international framework and local supply trading agreements:

- Firstly, we enter into often long-term selective distribution contracts (or authorized retail agreements) with suppliers of selective beauty products, under which we are, on a country-by-country basis, authorized by such suppliers to distribute products belonging to a particular brand both in our stores and online provided that certain quality standards and other criteria are met.

- Secondly, we enter into yearly international framework trading agreements, in particular with our top suppliers, which contain the basic commercial agreement between us and the relevant supplier, setting forth the general terms of sale, in particular regarding invoice conditions, bonus payment terms, promotional activities and marketing development allowances granted to us by the supplier, general logistic conditions as well as the conditions for returning goods (e.g., of products that become de-listed by the supplier).
- Lastly, annual local trading agreements transpose the basic commercial agreement contained in the international framework trading agreements for each country or specific countries (due to the relevance of the individual market situation in each country, e.g., the different market position of each brand within such market) and set forth the specific terms of sale, details of marketing efforts and bonuses/discounts, merchandising (e.g., additional payments for a prominent placement of a product in one or more stores) and other similar terms.

We aim to constantly improve our purchasing terms and to negotiate further specific price reductions (such as, higher year-end discounts) by leveraging our bargaining power resulting from our international store network and leading market shares in our core markets, which amounted to approximately 19% of the consolidated premium beauty market in Germany, France, Italy, Spain, the Netherlands and Poland as of September 30, 2020. We also aim to increase marketing-related investments (which are industry-typical, so-called “market development funds”) from suppliers that support customer demand for their products, such as the co-financing of promotions (including specific incentives or “challenges” to our sales force as well as dedicated budgets for temporary promotional price reductions), co-advertising, in-store promotions, customer mailings and product placements in the Douglas magazine.

With several of our top suppliers, we have negotiated international framework trading agreements in order to secure consistent margins, standardize terms and conditions streamline and allow for an efficient centralized contract management. We strive to expand this practice to other sourcing activities, including the procurement of personal care products and accessories, with smaller suppliers.

In addition, we have implemented a suppliers’ code of conduct which has the objective of ensuring compliance with relevant social and environmental standards.

Supply Chain and Product Portfolio Management

We manage our supply chain through an integrated information flow system, using the automated demand forecast tool SAF by SAP in the majority of the countries where we operate, which enables us to optimize merchandise inventories in our stores. We carefully manage our inventory with a strong focus on identifying the most relevant brands for our discerning customers and maintaining an attractive overall inventory “age” profile. Thereby, we follow an approach strictly driven by our defined key performance indicators, tightly monitoring inventory turnover and out-of-stock products.

We have continuously increased our efforts relating to quality assurance and now operate a strict quality management system, in particular focused on the processes relating to our own brand products (such as the careful selection of suppliers of our own brand products, quality control of such products and handling of non-conforming products and any claims brought with respect to such products). This is complemented by quality assurance processes regarding selective and exclusive products offered by us (and, for exclusive products, we generally also control the quality with samples prior to ordering the products).

As part of our #FORWARDBEAUTY.DigitalFirst strategy, we began in December 2020 to digitalize our entire supply chain management with AI-powered forecasting software with machine learning algorithms that we believe will enable us to increase product availability, improve inventory allocation and improve the impact of our marketing campaigns. The new system is currently being implemented in Germany and we expect the full transformation of our supply chain management to be complete in the next three years.

Logistics

We operate a logistics network across all of our major markets with over 20 operating logistic sites for the financial year 2019/2020. The network comprises cross-docking centers, warehouses and e-commerce fulfillment centers mostly operated by third parties.

In our cross-docking centers, incoming goods are processed and forwarded to our stores on a “just-in-time” basis which allows high flexibility levels and quick adaptation to shifts in our supply chain (e.g., the flexibility to arrange for new contracts or to easily expand our store network). Products are constantly restocked by our suppliers according to an aligned delivery schedule.

In our warehouses, incoming goods are stored and available for pick & pack in order to fulfill every replenishment order for our stores. In August 2018, we opened a new warehouse in Poland which is dedicated to replenishing all Douglas branded products.

In our e-commerce fulfillment centers, like in our warehouses, incoming goods are stored and available for pick & pack in order to fulfill every order for our online customers.

The following table provides an overview of our major logistics facilities (>1000m²):

Site	Approximate Size	End of Contract	Primary Use
Wojkowice, Poland	>35,000 m ²	2025	External warehouse
Bentivoglio, Italy	>15,000 m ²	2025	External warehouse
Ennigerloh, Germany	>15,000 m ²	2023	E-commerce fulfillment center
Leganés, Spain	>15,000 m ²	2023	Internal warehouse
Douvrin, France	>10,000 m ²	2022	External warehouse
Villeneuve d'Ascq, France	>10,000 m ²	2025	Internal warehouse and administrative office
Oldenzaal, the Netherlands	>7,000 m ²	2023	E-commerce fulfillment center
Pfedelbach, Germany	>6,000 m ²	2025	External warehouse
Mönchengladbach, Germany	>5,000 m ²	2024	Cross-docking center
Warsaw, Poland	>3,000 m ²	2023	Cross-docking center and e-commerce fulfillment center
Aschaffenburg, Germany	>3,000 m ²	2021	Cross-docking center
Oldenzaal, the Netherlands	>2,500 m ²	2023	Cross-docking center
Enzersdorf, Austria	>2,500 m ²	2023	Cross-docking center and e-commerce fulfillment center
Gersthofen, Germany	>2,000 m ²	2023	Cross-docking center
Calcinatè, Italy	>2,000 m ²	2021	E-commerce fulfillment center
Berlin, Germany	>1,500 m ²	2022	Cross-docking center
Stochov, Czech Republic	>1,000 m ²	2022	E-commerce fulfillment center
Budapest, Hungary	>1,000 m ²	2024	Cross-docking center and e-commerce fulfillment center

As part of our #FORWARDBEAUTY.DigitalFirst strategy, we will transform our current logistics network towards an OWAC approach. Each of the OWAC sites will fulfill orders for stores and online customers from a common stock level per SKU as well as handle partner fulfillment for our marketplace partners. Each OWAC site will carry up to 150,000 SKUs including marketplace SKUs. We intend to anchor our logistics operations with five OWAC sites across Europe. We currently expect all OWAC sites to be owned, staffed, managed and operated by several third-party service providers. In December 2020, the construction of the first OWAC site started in Hamm, Germany which is expected to serve Germany, Austria, Switzerland and the Netherlands. We expect to ship out the products of the first orders from Hamm in 2022.

Information Technology

Our scalable and integrated IT platform is designed and organized both to support our daily business processes and financial management. The strategic Group's core platform consists of a SAP Retail, SAP Logistics, SAP Finance and Controlling system, SAP Commerce Cloud, SAP Marketing Cloud, an omnichannel point of sale ("POS") solution by GK Software and a powerful BI platform based on snowflake database and several front end tools such as Microstrategy, Tableau and Power BI. This environment provides our management with all relevant information for forecasting and replenishment. For pricing, we are also introducing AI based systems from Relex and Revionics, which aids in making automated and data driven decisions.

The SAP Finance and Controlling system covers all countries. Of the core countries, Spain, France and Italy use local IT solutions for various major business applications, such as for enterprise resource planning, logistics and POS systems.

Our main software applications are hosted in various data centers. For three of our core countries (Germany, the Netherlands, Poland) and some non-core countries, we maintain independent IT centers in Germany which significantly mitigate the risks relating to a potential failure of our IT platforms. In Germany, the core data center is located at our former headquarters in Hagen, and all relevant data is mirrored to a second data center in Dortmund, Germany. Our French organization operates a core data center at Nocibé's headquarters in Villeneuve d'Ascq, France, and a back-up data center is operated by a third-party provider located in France. In Spain, our two main data centers are located in Madrid and a third (back-up data center) one is operated by a third party provider. In Italy, we operate a data center in Milan. Other non-core countries operate on their own data centers, either with internal or external service provider solutions.

Our centrally managed new e-commerce platform (Germany, Austria, Poland and Switzerland) is powered by SAP CommerceCloud, together with our own developed JavaScript front end, which is operated by Douglas employees and supported by hosting resources under an outsourcing agreement with Microsoft Azure in Amsterdam. Our French online shop is hosted under an outsourcing arrangement by a third party based in Villeneuve d'Ascq, France. Countries on the former Hybris Commerce platform (Italy and The Netherlands) are hosted under an outsourcing agreement by a third party provider (PlusServer GmbH) in Cologne together with resources provided by Microsoft Azure. The Douglas Spain online shop is powered by a self-developed front- and backend (php language), and runs in two data centers in Madrid. Smaller countries such as Portugal, Hungary, the Czech Republic, Romania and Slovakia are operated by internal employees with external resources, such as virtual machines, load balancers and Kubernetes clusters) provided by Microsoft Azure. All remaining countries, such as Croatia, Slovenia, Lithuania, Bulgaria, Latvia and Estonia are operated within the respective local country organizations. Online shops belonging to Parfumdreams are operated and hosted under an outsourcing agreement by a third party based in Klagenfurt, Austria. For risks relating to our IT infrastructure, see *"Risk Factors—Risks Relating to Our Market Environment and Business—Our operations may be interrupted or otherwise adversely affected as a result of failures in our information technology systems."* In recent years, we have experienced no significant downtime of our main IT systems.

We believe the effective utilization of our IT platforms and centralized big data solutions is integral to our business, as these enable optimization and educated decision-making across our organization and facilitates the interconnectedness of our business model across all channels, brick & mortar, online and mobile. We maintain sophisticated tools for gathering large amounts of data generated through our customers' browsing and shopping patterns in our online shops and on mobile applications. We then analyze this data and optimize a large array of business functions, including anticipating our customers' future shopping preferences, optimizing payment options, stock allocation in our e-commerce and centers, and personalizing our customers' experience. Wherever possible, we try to calculate and analyze this data in real-time. We are also able to market our data as a source of unique insight into customer behavior and preferences to our partners, which we believe strengthens our relationship with suppliers.

Our IT infrastructure is supported by a team of internal IT experts predominately situated in Hagen, Germany, and, to a limited extent, by external service providers.

Employees

We had an average number of employees of 21,016 (salaried employees and excluding apprentices) in the financial year 2019/2020. We also use temporary workers to meet the demands of the business during peak trading periods, in particular during the pre-Christmas and Christmas season. We employ part-time employees at the holding level and the store level, whereby the share of part-time employees at the store level is significantly higher.

The following tables show the average number of our employees (headcount) for the periods indicated, broken down by functions:

Employees by function (average numbers)	Financial year ended September 30,		
	2020	2019	2018
Salaried employees	21,016	21,708	21,487
Apprentices	501	552	666
Total	21,517	22,260	22,153

In some jurisdictions, we are subject to national or regional collective bargaining agreements. While none of our German Group companies are bound by collective bargaining agreements, a small number of employment agreements include a reference clause with respect to collective bargaining agreements applicable for the retail sector.

Within the Group, several forms of employee representation exist under which our employees are represented by trade unions or other employee representative bodies.

Our sales staff compensation complies with the requirements stipulated under statutory minimum wage regimes and collective agreements, with an incentive system in place at the store level based on certain sales objectives.

We believe we are in compliance with applicable employment and labor laws. We value our close and constructive relationships with trade unions, employee representatives and our employees in general and pursue respectful and open communication with trade unions and relevant employee representatives at both Group level and in each country, including in respect of our SOP and the corresponding measures.

As part of the employment compensation package, we provide different retirement benefit arrangements or similar benefits. For a description of pension schemes see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Provisions for Pensions"*.

Real Estate and Leases

The vast majority of our sites, including nearly all our stores, are rented. Only a very small number of the sites are owned by Group companies. In addition, certain sites are operated through service contracts.

Our stores (directly operated stores as well as franchised stores) are, with only very few exceptions, operated on leased premises, and are governed by the respective legal regimes relating to commercial leases in the different jurisdictions. Subject to the market practices of each jurisdiction, the duration of our lease agreements is generally defined by a fixed term, during which the lease may generally not be terminated by either party, in combination with either an extension option for us as lessee or a tacit renewal upon expiry of the fixed term. In addition to the fixed lease payments (most commonly on a monthly basis), many of our lease agreements contain sales-related additional variable lease payments, meaning that a portion of the lease payments is tied to the level of net or gross revenue, as the case may be, generated in the store concerned, subject to a minimum lease payment. The commercial leases that we sign with our landlords typically provide for an adjustment of the rent as a function of changes in certain indices. We regularly review our lease agreements and renegotiate their terms when possible.

As part of our SOP, which we believe creates additional leverage in our negotiations, we are also targeting rent improvements and intend to actively re-negotiate leases with our landlords in respect of stores that will remain open.

According to a recent analysis of our store network supported by external experts, we determined that approximately two thirds of our rental contracts had break clauses, half of our "keep open" stores had a lease-end or break option within the next 2 years and more than three quarters of our rent volume had institutional landlords.

Intellectual Property

Our portfolio of registered intellectual property rights consists of trademarks and design rights. Moreover, we possess several domain names. We typically grant franchisees a non-exclusive and non-transferable license to use the "Douglas" (or "Nocibé") trademarks and trade names as described in the handbook to the franchise agreement, exclusively for the operation of a cosmetic and perfumery store located at a concrete business address. In general, the franchisee may only use our trademarks, trade name or other materials protected for our Group companies on websites, weblogs or similar online presences after consultation and written approval by the franchisor.

Trademarks and Design Rights

We own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies of our Group, and some design rights, which we typically register as European word and/or word/design-trademarks internationally or locally in specific countries.

As of December 31, 2020, we held approximately 1,100 trademarks (including trademark applications) globally. In particular, the trademarks that protect the designation "Douglas" as well as—for France (and Monaco)—the trademark "Nocibé" are important to us.

Certain Douglas companies, in particular Parfümerie Douglas GmbH and Douglas Marken und Lizenzen GmbH & Co. KG, entered into a number of co-existence agreements with third parties to settle trademark disputes. Most of those co-existence agreements relate to "Douglas" trademarks owned by Parfümerie Douglas GmbH and the new "DO/Douglas" brand icon applied for by Douglas Marken und Lizenzen GmbH & Co. KG, which may only be used in the combination of "DO" and "Douglas".

Domain Names

We own a large portfolio of approximately 1,300 domain names as of December 31, 2020. Several companies of our Group have registered internet domains with the second level domain name "douglas" (as opposed to "top level domain names", which refer to the ending of the domain, such as ".de", ".at", etc.) as well as many domain names which contain "douglas" as part of the domain name together with a generic term such as "douglas-onlineshop", "douglas-parfuem", "parfumeriedouglas", "meindouglas", "mydouglas" or "douglasbeauty". In particular, "douglas.de", and the other internet domains for the countries in which we operate play an important role in our business operations. However, we do not own the domain name "douglas.com", which is used by a U.S. company operating in a different industry.

Material Legal Disputes and Administrative Proceedings

Companies of our Group are involved in legal disputes and administrative proceedings as part of their ordinary business activities and this will likely continue to be the case in the future. It is impossible to determine or predict the outcome of cases pending or threatened. Legal disputes and administrative proceedings in which our Group companies have been involved during the past twelve months, or which are currently pending or threatened, mainly relate to employment matters, intellectual property, advertising or distribution practices, leases, and the adequacy of the squeeze-out compensation to be paid to former minority shareholders. The Company believes that other than the proceedings described in the section *"Risk Factors—We are or may become involved in litigation and administrative or arbitration proceedings, which may adversely affect our financial position"*, during a period covering the previous twelve months, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) may have or have had in the recent past significant effects on the Company's and our financial position or profitability.

Insurance

We have taken out comprehensive insurance policies in relation to risks associated with our business activities, such as policies covering our general liability, product and environmental liability, insurance of property and merchandise (including product transportation and warehouse insurance), cyber/IT/electronic equipment as well as insurance covering business interruptions. Under these policies (and related underlying policies), insured losses include those resulting from natural and human risks such as business interruptions, product defects and events relating to the manipulation of products and losses relating to the handling of money, among others. In addition, we have policies for D&O (directors & officers) liability, cyber risks and fidelity insurance, which are applicable for the Company and its subsidiaries. Furthermore, we have taken out certain additional insurance policies for our subsidiaries in certain countries (including, among others, Germany). Our insurance coverage is subject to the usual exclusions, limits and deductibles. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, we have chosen not to purchase insurance coverage. These risks include, for example, business interruptions caused by acts of terror and epidemics.

The management team believes that we have adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance coverage is regularly verified and adjusted when necessary.

Regulatory Environment

The retail sector in which we operate, apart from regulations relating to the selective distribution system as further described below under *"Regulation on Selective Distribution Systems"*, is not a regulated sector and thus, we are subject to the laws and regulations of the respective jurisdictions in which we operate that are generally applicable to any company doing business in such jurisdictions. These include, in particular, requirements with respect to product liability and consumer protection. EU regulations apply directly in all member states of the European Union (the "EU Member States"). As a result, our business is subject to these rules in all EU Member States. In contrast, EU directives, while binding EU Member States as to the result to be achieved, need to be implemented into national law. Hence, regarding those standards contained in EU directives that are applicable to our business, national implementing rules can differ slightly from one EU Member State to another. To the extent governed by EU regulations or national laws that are based on EU directives, the regulatory environment in most other EU Member States and the member states of the EEA should be similar to the regulatory framework in Germany. The regulatory requirements applicable to our business activities are subject to change, as they are continuously adapted at the national, European and international level. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, administrative orders, fines, or even criminal sanctions.

Most of the products which we market are cosmetics, which are primarily subject to the EU Cosmetics Regulation (see below). However, depending on the specific characteristics of our products, a large range of other regulatory requirements may also apply to both us and our products, which govern the manufacturing, transporting, storing and selling of these products. For example, one of our suppliers recently informed us that some of their products contain substances that fall within the scope of EU Regulation 2019/1148 on the use of raw materials for explosives, which came into effect on 1 February 2021. This regulation aims to prevent the misuse of substances or mixtures which could be used to manufacture explosives. While the sale of such substances is not generally prohibited, we nevertheless need to comply with certain monitoring and reporting obligations and need to ensure that our employees are properly trained in this regard. Our products also typically contain chemicals and as such we are required to comply with EC Regulation 1907/2006 on the registration, evaluation, authorization and restriction of chemicals. For example, as so-called downstream users we are required to provide our customers with information on the safe use of the products, which we often

need to obtain from the actual supplier first. To the extent we act as importers of such products to the European Union, further obligations may apply, such as registering substances the import of which exceeds certain thresholds. EC Regulation 1272/2008 regarding the classification, labelling and packaging of substances and mixtures further imposes certain labelling and packaging requirements (including hazard labels and warnings) depending on the individual characteristics of our products not just on our suppliers but also on us. Some of our products also qualify as medical devices or food and are therefore subject to medical device or food regulations (see below). Depending on market trends these products (but also others, such as textiles) may in the future contribute in a larger extent to our revenues as they currently do. We generally aim to comply with all of these regulations and any other regulation that applies to us and our products. However, we cannot guarantee that we do so at all times and failure to do so may lead to adverse agency action such as investigations, fines, product recalls or (temporary) restrictions on sales of certain products.

The following provides a brief overview of selected regulations that are applicable to our business operations.

Foreign Trade and Customs Law

We source most of our products from member states of the European Union, but some of our suppliers are located outside of the European Union, e.g. in Asia or the United States of America.

Within the European internal market, the principle of free movement of goods applies. With respect to import and export of goods from countries that are not Member States of the EU, we must comply with national and European foreign trade and customs regulations. At EU level, the relevant regulatory framework is set out in Regulation (EU) No 952/2013 of the European Parliament and of the Council of October 9, 2013 laying down the Union Customs Code ("UCC") which replaced the Community Customs Code ("CCC") established in 1992. This Regulation entered into force on October 30, 2013 and its substantive provisions became applicable as of May 1, 2016. The UCC shall, among other, simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs, completing the shift by customs authorities to a paperless and fully electronic environment.

Whereas imports and exports within the EEA are in principle not liable to customs duty, the movement of goods beyond the frontiers of the EEA is subject to customs control between the customs union of the EU and EEA member states which are not EU Member States. The customs control charges, among other things, statutory import duties. Customs offices may from time to time initiate customs inspections to assess whether customs regulations have been infringed. In addition, the import of certain groups of products or from certain countries may require an import permit.

Following the withdrawal from the European Union and the end of the transition period on December 31, 2020, the United Kingdom, with the exception of Northern Ireland, has left the EU Single Market and the Customs Union. In this regard, neither the principle of free movement of goods nor the UCC are applicable from January 1, 2021 onwards in trade with the UK. With regard to trade with the UK, the EU-UK Trade and Cooperation Agreement was concluded on 24 December 2020, which is provisionally in force (pending ratification by the EU Parliament) and which ensures quota- and tariff-free trade. However, customs formalities such as for instance the submission of entry or exit summary declarations must still be observed. Furthermore, in order to achieve tariff- and quota-free trade, a statement of origin of goods from a contracting state must be provided

Consumer Protection Law

We must further comply with various consumer protection regulations with respect to the marketing and sale of products to customers, including our online selling activities.

Throughout the EU, consumer protection is extensively regulated in particular on the basis of the following EU directives:

- the Council Directive 93/13/EEC of April 5, 1993, amended by Directive 2011/83/EU of the European Parliament and the Council of October 25, 2011 on unfair terms in consumer contracts;
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999, amended by Directive 2011/83 EU of the European Parliament and the Council of October 25, 2011, on certain aspects of the sale of consumer goods and associated guarantees;
- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce);

- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, last amended by Directive 2009/136/EC of the European Parliament and of the Council of November 25, 2009, concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive), which prohibits, among others, certain particularly aggressive or misleading commercial practices or advertising;
- the Directive 2006/114/EC of the European Parliament and of the Council of December 12, 2006 concerning misleading and comparative advertising;
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights (Directive on Consumer Rights);
- the Directive 2013/11/EU of the European Parliament and the Council of May 21, 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR); and
- the Directive 2019/2161/EU of the European Parliament and the Council of November 27, 2019 as regards to the better enforcement and modernization of Union consumer protection rules (to be transposed into national law prior to November 28, 2021).

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives impose extensive duties and responsibilities on retailers such as Douglas, including the following:

With respect to our online activities, online purchases constitute "distance contracts" that are subject to specific consumer protection. Pursuant to the Directive on Consumer Rights, effective as from June 13, 2014 (last amended by Directive (EU) 2015/2302 of November 25, 2015) consumers have the statutory right (EU-wide) to withdraw from a distance contract within 14 days after receipt of goods (or within a period of twelve months and 14 days after receipt of goods if the consumer has not been properly informed about its statutory right of withdrawal). Withdrawal must be exercised by distinct declaration towards the seller (e.g., in writing, per e-mail or phone). The return of the goods without further comment does not constitute a valid declaration of withdrawal any longer. If the statutory right of withdrawal is exercised, within 14 days from the day of the withdrawal, the customer must return the goods and the seller must reimburse the purchase price within 14 days of receiving the note of withdrawal. The consumer only bears the direct cost of returning the goods, unless otherwise agreed upon or if the seller failed to inform that the consumer has to bear it. The customer also has to compensate the seller for any loss in value of the returned goods, if such loss is due to the customer handling the goods in a way that was not required to examine the condition, features and functionalities of the goods and the seller has informed the customer about its statutory right of withdrawal.

In addition, online retailers must comply with extensive and formalized information requirements. They have to provide their (potential) customers with detailed and accurate information, *inter alia*, on the offered goods, on the way a binding contract can be concluded, on price and payment details, on their return policy, on the statutory right to withdraw from a contract (irrespective of any more beneficial return policy that may be afforded by the online retailers, on their general terms of sale and on statutory warranties). EU directives and national laws set out detailed criteria on when, where and by which means this information has to be provided. Online retailers have to implement these requirements in the design and structure of their online shops, mobile-commerce platforms and apps, in their ordering and payment processes and in their delivery systems. Due to changes in legislation, online retailers have to adapt their shop design on an ongoing basis. For example, as a result of the Directive on Consumer Rights, online retailers were obliged to implement a "button solution" pursuant to which a binding purchase can only be completed by clicking on a button that is explicitly labeled "order with obligation to pay" (or similar). Directly before the consumer makes the purchase, he or she is to be informed by a summary of certain key information relating to the purchase, Art. 8(2) of the Directive on Consumer Rights. Failure to comply with these information requirements may give rise to civil liability, administrative orders (including injunctive relief) or fines and may in some cases result in an extension of warranty periods or even in the invalidity of the affected customer contracts. The concrete consequences and penalties for infringing national laws implementing the Consumer Directive are laid down by each Member State.

Advertising, including promotional games, newsletters and personalized product recommendations, is heavily regulated, in particular if distributed through e-mail. An advertisement must not be misleading, constitute an unreasonable nuisance or make use of harassment, coercion or undue influence. These criteria leave wide room for interpretation and the assessment of courts and other competent bodies is often hard to foresee.

The Directive (EU) 2019/2161 modernises almost all EU consumer legislation. Member States have time until the end of November 2021 to adopt and publish implementing legislation and will have to apply it by 28 May 2022. The Consumer Rights Directive (2011/83/EU) will also undergo far-reaching changes. New information requirements are to be introduced, for example, the online retailer might be obliged to indicate that a price was personalized on the basis of automated decision-making. Furthermore, additional information requirements may apply, e.g. regarding available means of communication.

Data Protection Law

As retailers generally process customer personal data for several purposes, including for the performance of the contract and marketing purposes, compliance with data protection laws must be ensured. The collection, processing and use of personal data is extensively regulated by both European and national legislation. At EU level, data protection law is primarily governed by the GDPR, which began to apply from 25 May 2018 and introduced significant changes to EU and local data protection regimes. In particular, the GDPR contains much higher potential fines for breaches, new obligations for data processors and data controllers, increased accountability, expanded rights for data subjects and an extended territorial scope.

Since the GDPR came into force, there has been increased enforcement of the strict regulations by the respective national supervisory authorities. For example, the GDPR provides for a detailed regulatory system regarding contracts relating to commissioned data processing or joint controllership which has to be implemented in particular in the context of IT outsourcings.

In general, data privacy laws regulate when and how personal data may be collected, for which purposes they may be processed and/or used, for how long they may be stored and to whom and how they may be transferred. The transfer of personal data to recipients outside the EEA is subject to specific requirements. Furthermore, the GDPR or national data privacy laws require organizational measures such as the appointment of a data protection officer, set forth the rights of data subjects (i.e., the persons to whom the personal data relates) (e.g., information rights) and determine the sanctions for infringements. Apart from that, the GDPR *inter alia* requires the implementation of appropriate technical and organization measures to ensure the data security in general.

As of the date of this Offering Memorandum, a new e-privacy regulation which will replace the ePrivacy Directive, as well as the Cookie Directive, is still pending at the EU level, and it is uncertain as to when this regulation may enter into force and when it may become enforceable. Furthermore, based on its data strategy, the EU plans to comprehensively revise the legal framework for handling data, for example through the proposed Digital Markets Act and the Digital Services Act. Additionally, the European Court of Justice (Fashion ID, C-40/17 and Planet 49, C-673/17) specified in 2018 and 2019 certain rules for the use of internet tracking technologies and cookies. The European Court of Justice (Schrems II, C-311/18) has also issued another important judgment on European Data Protection laws, stating that the transfer of personal data into the United States of America (U.S.) cannot be based on the EU/US Privacy Shield instrument. This ruling covers not only data transfers to the U.S. but also to any other third country within the meaning of the GDPR that does not provide a level of data protection equivalent to the EU and that has not been recognised by an adequacy decision of the EU Commission. As of the date of this Offering Memorandum, the concrete data protection consequences of the withdrawal of the United Kingdom from the European Union ("Brexit") remain unclear. See also *"We are exposed to changes in general economic and political conditions, in particular in our six core countries."*

Regulations on Shop Closing Time and Working Time

Most European countries have regulations on shop closing times, which particularly apply to shop closing times on weekends and holidays. Regulations on shop closing times during night hours on working days were suspended by several European countries as respective regulations were not required anymore after the implementation of Directive 2003/88/EC concerning certain aspects of the organization of working time.

Regulations on Minimum Wage

Even though employer and employee are generally free to agree on employment conditions by mutual agreement in their employment contract, certain minimum working conditions must be observed. For example, in all 27 member states of the European Union minimum wages may apply either under statutory laws or collective bargaining arrangements with rather widely varying levels of the minimum wage from country to country. Since there is, currently, no harmonized legislation of the European Union, the further details of the minimum wage regime vary from country to country. While there is, however, a proposal from the European Commission for a EU-wide statutory minimum wage framework, the respective legislative procedures are still in an early stage.

EU Payment Services Directive

The Payment Service Directive (EU) 2015/2366 ("Payment Service Directive 2") regulates payment services and payment service providers throughout the EU. The Payment Service Directive 2 aims to, amongst other objectives, better protect consumers when they pay online. This is reflected in the new requirement that when a payer initiates an electronic payment transaction, a strong customer authentication needs to take place. Such strong customer authentication is defined as an authentication process that validates the identity of the user of a payment service or of the payment transaction and indicates whether the use of a payment instrument is authorized.

In addition, the Payment Service Directive 2 provides for specific rules on payment instruments such as gift cards. These rules have been narrowed down compared to the preceding Payment Service Directive 1 (Payment Service Directive 2007/64/EC). Gift cards and similar 'limited network' schemes need to be registered with the competent authorities, if the total value of payment transactions executed over the preceding 12 months exceeds the amount of EUR 1 million. National implementations of the Payment Service Directive 2 and the application of these rules by the national regulatory authorities may vary from country to country.

Regulation on Selective Distribution Systems

The selective distribution system, as implemented by the suppliers of our Group, is subject to European and German competition law. In this respect, the following principles apply:

TFEU prohibits agreements which have an anticompetitive object or restrictive effects on competition, unless such agreements fall under so-called block exemptions or individual exemptions pursuant to Art. 101 (3) TFEU. Contractual clauses violating European competition law are void which may also affect the remainder of the respective agreements. Furthermore, in such instances the competent competition authorities may initiate proceedings against the contractual parties and substantial fines can be imposed.

According to the relevant case law, Art. 101 (1) TFEU does not apply if selective distribution systems are based on purely qualitative criteria, provided that: (i) the nature of the product requires a selective distribution system in order to ensure the high quality of service around the respective product and its proper use; (ii) the authorization of distributors is only based on objective and non-discriminatory qualitative criteria which are applied consistently and (iii) such criteria do not exceed what is necessary to ensure the quality of service around the respective product and its proper use.

Irrespective of whether these criteria are met, in particular if additional quantitative criteria are included in the selective distribution system, the relevant agreements may nonetheless benefit from an exemption under EU Regulation No. 330/2010 (Vertical Block Exemption Regulation). Such exemption requires, among other things, that the market share of both the supplier and the authorized distributor does not exceed 30% and respective agreements do not contain so-called "hard core" restrictions of competition. In the context of selective distribution systems, resale price maintenance, restrictions of active or passive sales to end consumers as well as restrictions of cross-supplies between authorized distributors constitute such "hard core" restrictions.

The abovementioned principles also apply to online selective distribution with a per se prohibition of e-commerce sales or criteria for e-commerce sales which are not overall equivalent to the criteria imposed for the sales from brick & mortar shops and are not necessary to ensure a certain quality of distribution. Such clauses may constitute hard-core restrictions and will also very often not qualify for an exemption under Art. 101 (3) TFEU. Furthermore, there are ongoing discussions, involving competition authorities, whether a prohibition of sales on open online platforms (such as eBay) is in line with competition law or whether such a prohibition may raise anticompetitive concerns.

EU Regulation No. 330/2010 is scheduled to expire in May 2022 and a review of the regulation at the level of the European Commission is ongoing. With regard to this regulation, but also generally, it cannot be excluded that following changes in the applicable statutes, regulations, or developments of the case law or decision-making practice of the relevant competition authorities, other channels of sale may begin selling products (or increasingly sell products) that currently generate the majority of our sales and this may lead to a significant increase in competition (see also *"Risk Factors—Legal, Regulatory and Tax Risks—We may be adversely affected by changes antitrust and competition laws and regulations, in particular with respect to selective distribution contracts."*).

Cosmetics Regulation

On November 30, 2009, Regulation (EC) No 1223/2009 of the European Parliament and of the Council (the "Cosmetic Products Regulation") was adopted, which is the main regulatory framework for finished

cosmetic products as defined therein when placed on the EU market. In addition to the Cosmetic Products Regulation, other EU and/or national legislation may apply for certain aspects of the regulation of cosmetic products (e.g. cosmetic products including cannabidiol or cannabis as ingredients must comply with narcotics laws). The Cosmetic Products Regulation provides an internationally recognized regime, which reinforces the safety of cosmetic products taking into consideration the latest technological developments, including the possible use of nanomaterial.

The main purpose of the Cosmetic Products Regulation is to ensure that only safe cosmetic products are placed on the EU market. This requires in particular that cosmetic products are manufactured in accordance with good manufacturing practice. Further, the Cosmetic Products Regulation prohibits or restricts the use of a wide range of substances in cosmetic products. With respect to the use of colorants, preservatives and UV-filters, including those that are nanomaterials, these can only be used if explicitly allowed by the Cosmetic Products Regulation. Products containing other nanomaterials not otherwise restricted by the Cosmetic Products Regulation may be the object of a full safety assessment at EU level, if the EU Commission has concerns. Nanomaterials must be labeled in the list of ingredients with the word "nano" in brackets following the name of the substance.

Furthermore, only cosmetic products for which a legal or natural person is designated within the EU as "responsible person" may be placed on the market. As a general rule, the responsible person must be established within the EU and is either the manufacturer or importer or a person or entity designated by those. A distributor may be the responsible person where he places a cosmetic product on the market under his name or trademark (as we do for our private label products) or modifies a product already placed on the market in such a way that compliance with the applicable requirements may be affected. The Cosmetic Products Regulation includes rules to allow for the precise identification of who the responsible person is with regard to a certain product, and clearly outlines the obligations of such responsible person. Responsible persons have, *inter alia*, an obligation to notify serious undesirable effects to competent national authorities. Further, responsible persons must ensure that a cosmetic product has undergone a safety assessment and that a product safety report has been set up for the product before it is placed on the market. The Cosmetic Products Regulation also imposes documentation obligations on the responsible person. As for our own brand products, certain subsidiaries of our Group act as responsible person for purposes of the Cosmetic Products Regulation.

For products we only distribute but for which are not the responsible person, the Cosmetic Products Regulation also imposes obligations, although these are less restrictive. For example, before making a cosmetic product available on the market, distributors shall verify that specific labelling information is present, specific language requirements are fulfilled, and the date of minimum durability specified has not passed. Additionally, they shall not market the products if they have reason to believe that they are not in conformity with the Regulation and if they have done so already, they have to take appropriate field safety corrective measures.

Furthermore, the Cosmetic Products Regulation introduces a centralized notification process for all cosmetic products placed on the EU market, so that responsible persons will need to notify their products. The Cosmetic Products Regulation also includes rules banning animal testing and comprehensive labeling requirements.

We review our own brand products, which are manufactured by third-party suppliers and which we then sell under our own brands, for compliance with the applicable regulations of the Cosmetic Products Regulation. For further information on the risks associated with our own brand products, see *"Risk Factors—Risks Relating to Our Market Environment and Business—We are subject to risks in connection with the quality and timely delivery of our own brand products and our relationship with the manufacturers of such products"*. Where we act as a distributor, we comply with the obligations applicable to distributors under the Cosmetic Products Regulation.

Food Law

Operators of food businesses, including producers, processors, importers, and distributors who place food products on the market in the European Union, are obliged to ensure that the requirements of food law are met within the food business under their control, especially with regard to the safety of such products. Overall, EU food law consists of a very wide range of regulatory requirements, both general and specific. The following provides an overview of some food related regulations potentially relevant, but it does not provide an exhaustive summary.

Among other regulations, Regulation (EC) No 178/2002 of the European Parliament and of the Council of January 28, 2002, as last amended by Regulation (EU) 2019/1243 of June 20, 2019, provides general principles and requirements of food law, *inter alia*, with regard to food safety. Regulation (EC) No

178/2002 established the European Food Safety Authority, stipulates procedures and requirements in matters of food safety, and the measures to be taken in order to avoid threats to food safety, such as by withdrawing and/or recalling unsafe products from the market. As a major part of food safety, food business operators have to ensure compliance with food hygiene regulations, such as Regulation (EC) No 853/2004 of the European Parliament and of the Council of April 29, 2004 on the hygiene of foodstuffs, as last amended by Regulation (EC) No 219/2009 of the European Parliament and of the Council of March 11, 2009, which requires food business operators to maintain a hazard analysis and critical control point (HACCP) concept.

Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the Member States relating to food supplements, as last amended by Commission Regulation (EU) 2017/1203 of July 5, 2017, provides harmonized rules on food supplements. For this purpose, it lays down, for example, a harmonized list of vitamins and minerals that may be added for nutritional purposes in food supplements. According to the Directive, Member States may, for monitoring purposes, request notification to their competent authority of the placing on the market in their territory of a food supplement product.

Furthermore, according to Regulation (EU) No 1169/2011 of the European Parliament and of the Council of October 25, 2011, as last amended by Regulation (EU) 2015/2283 of the European Parliament and of the Council of November 25, 2015, with regards to the provision of food information to consumers, the food business operator responsible for the food information i.e. the operator established in the EU under whose (business) name the food is marketed, otherwise, the importer into the Union market must ensure that all mandatory information on food is provided, and that any other information is clear and not misleading. Regulation (EC) No 1924/2006 of the European Parliament and of the Council of December 20, 2006 on nutrition and health claims made on foods, as last amended by Commission Regulation (EU) No 1047/2012 of 8 November 2012, further provides that nutrition and health claims made in commercial communications, whether in the labelling, presentation or advertising of foods to be delivered as such to the final consumer, shall only be used if they are authorized and included in respected lists of authorized claims.

We review our “#INNERBEAUTY” food supplements which are manufactured by third-party suppliers and which we then sell under our own brands for compliance with the applicable food laws.

Medical Device Law

Medical devices are products or equipment intended generally for a medical use. In the European Union, most medical devices may only be placed on the market if a CE marking is duly attached. To attach a CE marking to a product, the product must fulfil the essential requirements provided for in one of the three directives (“Medical Device Directives”), i.e. Directive 90/385/EEC regarding active implantable medical devices (AIMD); Directive 93/42/EEC regarding medical devices (MDD); or Directive 98/79/EC regarding in vitro diagnostic medical devices (IVDD).

At present, a material change of the legal framework of producing and marketing medical devices is ongoing in the EU. On May 25, 2017, the Regulation (EU) 2017/745 of the European Parliament and of the Council of April 5, 2017 on medical devices (“Medical Device Regulation” or “MDR”) entered into force (for in vitro diagnostics, Regulation (EU) 2017/746 of 5 April 2017). The MDR will replace the Medical Device Directives governing the production and marketing of medical devices. The requirements that legal manufacturers of medical devices must observe will be further strengthened.

Manufacturers of currently approved medical devices and distributors will have a transition time until May 26, 2021 (the date of general application) to meet the requirements of the MDR. As we only act as a distributor of medical devices, less restrictive rules apply to us as compared to manufacturers of medical devices. However, the MDR provides for additional duties that we, as distributor, need to comply with as of May 26, 2021. For example, distributors must verify that the device has been CE marked, and that the EU declaration of conformity of the device has been drawn up and that the device is accompanied by the information to be supplied by the manufacturer in accordance with the MDR.

Regulations Regarding Product Safety and Product Liability

Producers and distributors who place products on the market in the European Union must ensure that the products are safe. Among other regulations, for products intended for consumers or likely to be used by consumers, this is regulated in Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001, as last amended by EC Regulation 596/2009 of June 18, 2009, on general product safety (the “EU Directive on Product Safety”). Where products are subject to specific safety requirements imposed by EU legislation (e.g. cosmetics, food products, or medical devices), the EU Directive on Product Safety only applies to the aspects and risks or categories of risks not covered by those requirements. The EU Directive on

Product Safety provides that producers may only put products on the market when these products comply with the general safety requirement. In addition, producers must provide consumers with the necessary information so that consumers are able to assess a product's inherent threat, particularly when this is not directly obvious. Furthermore, producers must adopt the necessary measures to avoid such threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers. In this context, it is relevant to note that under the EU Directive on Product Safety—as well as pursuant to most other European and/or national legislation on product safety—any entity presenting itself as the manufacturer by affixing its name, trademark or other distinctive mark to a product qualifies as producer and must comply with the above-mentioned obligations. As we sell products manufactured by third parties under our own brands, we qualify as a producer. For certain products, additional requirements may apply; for example, the labelling of certain clothes is regulated in the EU by the Textile Regulation (EU) No 1007/2011 on fiber names and related labelling and marking of the fiber composition of textile products.

Pursuant to the EU Directive on Product Safety, distributors must help to ensure that the products they supply comply with the general safety requirements, monitor the safety of products on the market and provide the necessary documents ensuring that the products can be traced. If the producers or the distributors discover that a product is dangerous, they must notify the competent authorities and, if necessary, cooperate with them. As a Directive, the Member States had to implement it into national law.

In addition, because we sell our own brand products (manufactured by third parties) under our own brands and import certain products from outside the EU, we qualify as producer of certain cosmetic and other products and are thus subject to applicable legislation on product liability. For example, all Member States of the European Union were required to implement EU Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of May 10, 1999, on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products ("Product Liability Directive"), which applies to all movables marketed in the EEA (with very few exceptions). The Product Liability Directive establishes the principle of strict liability, i.e., liability without fault of the producer, in cases of damage caused by a defective product. It covers death, personal injuries and damages of at least €500 to an item of property (other than the defective product itself) caused by defective products intended for private use or consumption and used by the injured person mainly for that purpose. The Product Liability Directive does not stipulate any financial ceiling on the producer's liability but allows the Member States to limit a producer's liability for damage from a death or personal injury and caused by identical items with the same defect to an amount of at least €70.0 million. In addition, the Product Liability Directive does not prevent the legal systems of the Member States from granting additional or more extensive rights to injured parties based on grounds of contractual liability or on grounds of non-contractual liability.

Environmental laws

Environmental laws may be applicable for the disposal of cosmetics and may contain provisions regulating the special treatment of cosmetic disposal. The same applies to the packaging of cosmetic and other products. For instance, the EU Directive 94/62/EC of the European Parliament and of the Council of December 20, 1994, last amended by Directive (EU) 2018/852 of May 30, 2018, on packaging and packaging waste (the "EU Packaging Directive") (as implemented in the individual EU countries) must be complied with. The EU Packaging Directive provides, amongst others, for an obligation to participate in a return, collection and recovery scheme with respect to packaging.

In addition, the Directive 2012/19/EU of the European Parliament and of the Council of July 4, 2012 on waste electrical and electronic equipment, last amended by Directive (EU) 2018/849 of May 30, 2018 (the "WEEE-Directive"), may be applicable. The WEEE-Directive imposes responsibility for the disposal of waste electrical and electronic equipment on the producers or distributors of such equipment. In this context, the WEEE-Directive provides, inter alia, for an obligation of all producers of electrical and electronic equipment or their authorized representatives to register with the national registers of producers in all EU countries where they sell electrical and electronic equipment.

The EU Directive 2008/98/EC of the European Parliament and of the Council of November 19, 2008, last amended by Directive (EU) 2018/851 of May 30, 2018, aims, amongst others, at preventing and reducing the generation of waste and improving the efficiency of resource use. This Directive entails general requirements in the context of waste prevention, recovery and disposal, such as, for example, enhanced product responsibility according to which products should be designed in a way which reduces their environmental impact and the generation of waste in the course of their production and subsequent use.

Regarding aerosol dispensers, such as deodorant sprays, Regulation (EC) No 1005/2009 of the European Parliament and of the Council of September 16, 2009 on substances that deplete the ozone layer, last amended by Regulation (EU) 2017/605 of March 29, 2017 (Ozone Regulation) may also be relevant. According to the Ozone Regulation, products that contain controlled substances listed in Annex I of the Ozone Regulation may, as a rule, not be placed on the market and/or imported.

French Law on payment terms

In France, we must comply with Article L. 441-10 of the French Commercial code (*code de commerce*). This provision contains two rules applying to payment terms. According to the first rule, if the parties do not agree on specific payment terms (e.g., through a specific provision included in the seller's general sales terms or the purchaser's general purchasing terms), this term is automatically 30 days after the receipt of the goods or of the provision of the services. According to the second rule, the parties may not agree on payment terms exceeding 45 days from the end of the month (i.e., 45 days starting from the end of the month during which the invoice is issued or alternatively the end of the month during which a delay of 45 days from the date of issuance of the invoice expires) or 60 calendar days from the issuance of the invoice. In case of negotiated payment terms, the payment term must be expressly mentioned in the contract and cannot provide a grossly unfair disadvantage to the creditor. If the seller establishes general sales terms, these must provide for a number of provisions, including late payment terms and the amount of the indemnity due to the seller in the event of late payment from the purchaser (set by decree, currently at €40).

MANAGEMENT

The Senior PIK Notes Issuer

The Senior PIK Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on January 28, 2021, under the laws of Germany and registered with the commercial registry of the local court of Düsseldorf under the number HRB 92283. We are in the process of registering the Senior PIK Notes Issuer under the name Kirk Beauty SUN GmbH and changing its principal business address.

The Senior Secured Notes Issuer and the Parent

The Parent is the holding company and reporting entity of the Group. The Senior Secured Issuer is the strategic and management holding company of the Group. The managing directors of the Senior Secured Issuer, who also act as the managing directors of the Parent and the executive board of the Group are set forth below. The business address for each of the managing directors is Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Tina Müller	52	Chief Executive Officer
Matthias Born	50	Chief Financial Officer
Vanessa Stützle	42	Chief Digital Officer (from May 2020)
Dr. Michael F. Keppel	56	Chief Restructuring Officer (from July 2020)

The following section summarizes the biographies of the managing directors of the Senior Secured Notes Issuer and the Parent:

Tina Müller–Chief Executive Officer

Tina Müller, Chief Executive Officer, joined Douglas GmbH in November 2017. She brings significant marketing and sales experience to the role, having held leading international marketing, sales and general management positions for more than 20 years. Ms. Müller was part of the Executive Board at General Motors for the Opel brand from 2013 to 2017, where she managed as Chief Marketing Officer Opel's product management and brand strategy. Prior to her role at Opel, during her 17 years at Henkel, she was Chief Marketing Officer and Corporate Senior Vice President for the global Beauty Care business, and Regional President for Western Europe. She has also held international executive positions at WELLA and L'Oréal. Ms. Müller studied business administration and economics (Betriebs- und Volkswirtschaftslehre) at the University of Trier and Université Jean Moulin Lyon III and holds degrees as Diplom-Kauffrau and Maîtrise Science Économique from these universities. Ms. Müller also studied European Business Studies at the Fachhochschule Rheinland-Pfalz. She has published two books, *Warum Produkte und Start-Ups floppen–Die 10 Todsünden des Marketings* and *Zum Jungbleiben ist es nie zu spät*.

Matthias Born–Chief Financial Officer

Matthias Born, Chief Financial Officer, joined Douglas GmbH in August 2019. Prior to joining Douglas, Mr. Born served as Chief Financial Officer and Chief Operating Officer at CBR Fashion Group, from 2013 to 2019. He was also the Group Senior Finance Director at Eurofins Scientific Group, where he had worldwide responsibility for financing/treasury, tax, legal, M&A, purchasing and investor relations. Mr. Born was Chief Financial Officer at Hörgut GmbH (GEERS Hörakustik) for two years and has held various leadership positions with ADVA Optical Networking. Mr. Born studied business administration at the Otto Beisheim School of Management, WHU.

Vanessa Stützle–Chief Digital Officer

Vanessa Stützle, Chief Digital Officer, joined Douglas GmbH in May 2020. As Executive Vice President E-Commerce & CRM, Ms. Stützle has been responsible for Douglas' online business since January 2018 and for Customer Relationship Management since July 2019. Prior to joining Douglas, Ms. Stützle served as Chief Digital Officer of the s.Oliver Group where she was responsible for the e-commerce business and customer loyalty programs of all the Group's brands, and built one of the largest mono-label fashion shops in Europe. Ms. Stützle has 16 years of experience in the field of retail digitalization, having also held positions at ESPRIT and SBK Consulting Team GmbH. Ms. Stützle studied business administration at the University of Cologne, Germany.

Dr. Michael F. Keppel–Chief Restructuring Officer

Dr. Michael F. Keppel, Chief Restructuring Officer, joined Douglas GmbH in July 2020. As Chief Restructuring Officer, Dr. Keppel is responsible for the overall strategy of the Douglas store network, so as to

reposition and future-proof it against a background of changing market environments. He has also worked as an independent restructuring executive manager and advisor in various restructuring cases since the founding of Keppel Managementpartners GmbH in 2011 and was a partner at Alvarez & Marsal and Alix Partners. Dr. Keppel has over 25 years of experience in restructuring, particularly in the wholesale and retail industry. Dr. Keppel studied economics at Albert-Ludwigs-University in Freiburg, business administration at the University of Cologne, Germany, and has attended an Advanced Management Program at IESE Business School, Barcelona, Spain. Dr. Keppel is currently a lecturer at the IESE Business School and the author of various publications about restructuring.

Management Compensation

The members of our executive board receive remuneration that in general consists of the following main components:

- a fixed annual base salary, which is paid in monthly installments;
- a variable bonus that incentivizes the fulfillment of key performance indicators; and
- certain fringe benefits.

The total amount of remuneration paid to our executive board amounted to €2.9 million for the financial year 2019/2020, consisting of €1.5 million in base salaries, €1.3 million in variable bonuses and €0.1 million in certain other expenses. For more information, see note 31 to our Audited Consolidated Financial Statements for the financial year 2019/2020.

In addition, certain employees and members of management have participated, or in the future are entitled to participate, in management participation programs. See “*Related Party Transactions – Management Participation Program*”.

Management Practices

We are committed to fulfilling corporate governance requirements. We maintain internal guidelines (e.g., purchasing directives) and a code of conduct which is to be countersigned and adhered to by our management. In addition, an internal audit department regularly carries out examinations on different topics.

LuxCo2

The ultimate authority within the Group in relation to certain reserved matters rests with LuxCo2, the holding company through which Kirk Beauty S.à r.l. and Lobelia Lux S.à r.l. invest in the Group. The board of directors of LuxCo2 comprises four members proposed for appointment by Kirk Beauty S.à r.l. and two members proposed for appointment by Lobelia Lux S.à r.l. The size and composition of the board of LuxCo2 may change, from time to time, for various reasons, including in order to have certain co-investors represented who may acquire direct or indirect participations in LuxCo2. The board of directors of LuxCo2 is set forth below. The registered address of LuxCo2 is 20 Avenue Monterey, L-2163 Luxembourg.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Søren Vestergaard-Poulsen	51	Class A Director (<i>administrateur de classe A</i>)
Dr. Christopher Alexander Dibelius,	62	Class A Director (<i>administrateur de classe A</i>)
Dr. Daniel Christian Pindur	42	Class A Director (<i>administrateur de classe A</i>)
Can Toygar	38	Class A Director (<i>administrateur de classe A</i>)
Dr. Henning Kreke	55	Class B Director (<i>administrateur de classe B</i>)
Dr. Michael Hinderer	65	Class B Director (<i>administrateur de classe B</i>)

The following section summarizes the biographies of the directors of LuxCo2:

Søren Vestergaard-Poulsen—Class A Director

Mr. Søren Vestergaard-Poulsen was appointed to the board of directors of Kirk Beauty Investments S.A. on 13 August 2015. Mr. Vestergaard-Poulsen joined CVC in 1998 and is based in CVC’s London office as a Managing Partner, where he oversees private equity activities in the Nordic region. He joined CVC from McKinsey & Co, and serves on the board of certain CVC Capital Partners related companies. Mr. Vestergaard-Poulsen holds a master’s degree in Economics and Business Administration from Copenhagen Business School.

Dr. Christopher Alexander Dibelius—Class A Director

Dr. Christopher Alexander Dibelius was appointed to the board of directors of Kirk Beauty Investments S.A. on January 22, 2016. Dr. Dibelius joined CVC in 2015 and is based in CVC's Frankfurt office as a Managing Partner, where he heads CVC's private equity activities in Germany, Austria, and Switzerland. He joined CVC from Goldman Sachs, where he served as one of two global Co-Chairmen of Goldman Sachs' investment banking division and led the German operations of the bank for 13 years, 10 of which as sole CEO. Dr. Dibelius serves on the board of certain CVC Capital Partners related companies. He holds a PhD in medicine and practiced as a doctor at Baragwanath Hospital in Johannesburg, Groote Schuur Hospital in Cape Town and Universitätsklinikum Freiburg.

Dr. Daniel Christian Pindur—Class A Director

Dr. Daniel Christian Pindur was appointed to the board of directors of Kirk Beauty Investments S.A. on December 11, 2015. Dr. Pindur joined CVC in 2005 and is based in CVC's Frankfurt office as a partner, overseeing private equity activities in Germany. He joined CVC from Goldman Sachs, where he worked in the M&A department, and currently serves on the board of certain CVC Capital Partners related companies. Dr. Pindur studied Business Administration and Economics at the WHU Graduate School of Management, the Stockholm School of Economics and EM Lyon. He holds a Diplom-Kaufmann and Diplôme de l'ESC and earned a Dr. rer. pol. from the University of Ulm, Germany.

Can Toygar—Class A Director

Mr. Toygar was appointed to the board of directors of Kirk Beauty Investments S.A. on December 1, 2017. Mr. Toygar joined CVC in 2011 and is based in CVC's Frankfurt office as a Managing Director, overseeing private equity activities in Germany. He joined CVC from J.P. Morgan where he was an associate in the German M&A advisory team, and currently serves on the board of certain CVC Capital Partners related companies. Can holds a Diplom-Kaufmann degree (MBA) from the University of Mannheim.

Dr. Henning Kreke—Class B Director

Dr. Henning Kreke was appointed as Chairman of the Supervisory Board of Douglas GmbH in January 2016. He has been active in the Douglas group since 1993 and was a member of the Management Board from 1997-2016. Dr. Kreke was also Chief Executive Officer of the Douglas Group from 2001-2016. Furthermore, Dr. Kreke has also served as the Vice-President of South-Westphalian Chamber of Industry and Commerce in Hagen, vice-chairman of the board of management of the Academic Society for Marketing and Business Leadership as well as a member of the executive committee of the Society for the Promotion of the Institute for Trade Research at the University of Cologne. Dr. Kreke completed his undergraduate and graduate studies in business administration at the University of Texas in Austin, USA, and in 1994, was awarded a Ph.D. in political science at Christian Albrechts University in Kiel. Dr. Kreke previously worked in corporate finance at the international investment bank Salomon Brothers in New York, USA.

Dr. Michael Hinderer—Class B Director

Dr. Michael Hinderer was appointed to the board of directors of Kirk Beauty Investments S.A. on August 13, 2015. Dr. Hinderer was a co-founder of Altium and worked at Altium and Apax for over 30 years. Prior to co-founding Corporate Finance Partners, the forerunner of Altium and Apax in 1986, he was an executive at a German investment bank. Dr. Hinderer is currently Senior Advisory Partner and co-founder at Castik Capital Partners, chairman of the advisory board of GCA Altium and holds positions as a non-executive director in various international companies. He is a business angel and active investor in the Venture Capital scene. Dr. Hinderer holds a Ph.D. and a master's degree in Business Administration, Economics and Social Sciences from the University of St. Gallen.

Supervisory Board

The Senior Secured Notes Issuer is obliged to establish a co-determined 12 member supervisory board (the "Supervisory Board") which consists of six employee representatives and six shareholder representatives. The Supervisory Board is, in accordance with the German Stock Corporation Act, responsible for the supervision of the management of the Senior Secured Notes Issuer, but has no managerial powers and cannot instruct the management. The term of the Supervisory Board ended on 16 March 2021. As soon as the local court of Düsseldorf appoints the employee representatives for the new Supervisory Board, a constituent meeting of the Supervisory Board will take place, which is currently scheduled for 30 March 2021. The business address of the members of the Supervisory Board is Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with companies within our Group. These agreements mainly relate to the supply of IT and accounting services and the rendering of other intra-group services, such as business advisory, treasury and finance, marketing, human resources, legal and tax.

Management Participation Program

In 2015, subsequent to our acquisition by the CVC Funds, a management equity participation program (the "MEP 1") was established via a management participation pooling vehicle above LuxCo 3. In 2020, a second management equity participation program (the "MEP 2" and together with the MEP 1, the "MEP") was initiated via MEP 2 KG, a management participation pooling vehicle above TopCo in order to further incentivize the management team. The subscribing employees and members of senior management entered into an investment agreement governing their rights and obligations in connection with their investments. The investment agreement contains customary provisions, including the opportunity to invest indirectly in the Group and in the event of the current majority shareholder departing, to share in any increase in value through their own investment.

Profit and Loss Transfer Agreements

In 2015, TopCo as parent entity entered into a profit and loss transfer agreement with the Parent as subsidiary and the Parent as parent entity entered into a profit and loss transfer agreement with the Senior Secured Notes Issuer as subsidiary. As a result of these profit and loss transfer agreements (the "PLTAs"), TopCo became the head of the tax group for German corporate income tax ("CIT") and trade tax ("TT") purposes for our Group. Pursuant to the PLTAs, the subsidiary must generally transfer its entire profits to the parent entity which in turn must compensate the subsidiary for any of the subsidiary's losses.

Therefore, while the historical financial information included and presented in this offering memorandum is that of the Parent and its consolidated subsidiaries, due to the PLTAs, CIT and TT accrue at the level of TopCo rather than at the level of the Parent or the Senior Secured Notes Issuer, respectively, in each case assuming that the tax group is recognized by the competent tax authorities. Further, the tax group allows for a consolidation of taxable profits and losses of entities within the tax group. Finally, both profit transfers and loss compensations are (in principle) tax neutral transactions for CIT and TT purposes.

Immediately after the Issue Date, it is the current intention to merge the Senior Secured Notes Issuer into the Parent and subsequently to merge the surviving entity into TopCo (the "Post-Closing Mergers"). As a result of the Post-Closing Mergers, the PLTAs would terminate and all intercompany liabilities between TopCo, the Parent and the Senior Secured Notes Issuer would cease to exist by operation of law.

Other arrangements with related parties

We have commercial relationships with certain minority shareholders of our subsidiaries, including related to the leasing of property or the supply of products from such parties or companies in which they have an interest. In addition, we directly and indirectly rent four of our brick & mortar stores in Germany from Kreke Immobilien KG, Hagen, Germany, a company in which Dr. Henning Kreke, a member of the board of directors of LuxCo2 and a member of the Founder Co-Investors, indirectly holds an interest. In addition, Dr. Henning Kreke had a consulting agreement with the Group, which was terminated by mutual agreement with effect as of the end of February 2021. In total, we incurred expenses of €5.8 million, €7.3 million and €6.3 million from our above described relationships in the financial years 2017/2018, 2018/2019 and 2019/2020.

PRINCIPAL SHAREHOLDERS

CVC Funds and certain investors or limited partners in the CVC Funds indirectly (through wholly owned intermediate holding companies) own approximately 84.2% (before management participation) of the entire share capital of TopCo and the Founder Co-Investors directly (through wholly-owned intermediate holding companies) own approximately 15.8% (before management participation) of the entire share capital of TopCo. Certain employees and members of the management have also invested in management participation programs established in MEP KG and MEP 2 KG and have beneficial ownership, and directly or indirectly, of the share capital of TopCo. See *"Summary–Corporate and Financing Structure"* and *"Certain Relationships and Related Party Transactions– Management Participation Program"* for more information.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the expected or current material terms of certain financing arrangements to which we and certain of our subsidiaries intend to become a party or to which we and certain of our subsidiaries are currently 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 Senior Secured Facilities Agreement and Intercreditor Agreement may differ from the terms described below. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following summary of certain provisions of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Senior Secured Facilities Agreement

Overview and Structure

In connection with the Transaction, the Issuer will, prior to the Issue Date, enter into the Senior Secured Facilities Agreement with, among others, TopCo as the company and an original guarantor, certain of TopCo's restricted subsidiaries, including the Issuer, as original borrowers and original guarantors (as applicable), Deutsche Bank AG, London Branch as agent, the Security Agent as security agent and Goldman Sachs Bank Europe SE, Deutsche Bank AG, UniCredit Bank AG, UBS Europe SE and BNP Paribas SA as mandated lead arrangers and bookrunners. The Senior Secured Facilities Agreement will provide for the following:

- a €1,080 million senior secured term loan facility ("Facility B"); and
- a €170 million senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" and, together with Facility B, the "Senior Secured Facilities").

We expect Facility B to be borrowed in multiple tranches by borrowers in Germany, France and the Netherlands (the "Facility B Borrowers") which may include Douglas GmbH, Douglas Finance B.V., Kirk Beauty Netherlands B.V., Parfümerie Douglas International GmbH, Groupe Nocibé S.A.S., Parfümerie Douglas GmbH, Nocibé France S.A.S. and Douglas Einkaufs- und Servicegesellschaft mbH & Co.KG.

Each Facility B Borrower shall apply all amounts borrowed by it under Facility B in or towards (including by way of on-lending: (i) the Transaction; and/or (ii) paying any breakage costs, redemption premia and/or other fees, costs and expenses payable in connection with the Transaction. The Revolving Credit Facility may be utilized by certain members of the Group (the "Group" consists of TopCo and its restricted subsidiaries)) in euros, sterling, U.S. dollars, Swiss francs and certain other readily available currencies (subject to obtaining the consent of all the relevant Revolving Credit Facility lenders) by the drawing of cash advances, the issue of letters of credit and ancillary facilities. The Revolving Credit Facility may be used for: (i) any of the purposes for which Facility B may be utilized; (ii) the issue of letters of credit or entry into ancillary facilities to backstop or replace letters of credit and/or ancillary facilities outstanding under the Existing Senior Secured Facilities Agreement; and (iii) the Group's general corporate and working capital purposes, including without limitation funding of capital expenditure, restructuring costs, acquisitions, any working capital related and foreign exchange purchase price adjustments relating to any acquisitions and other fees, costs and expenses.

In addition to Facility B and the Revolving Credit Facility, the Senior Secured Facilities Agreement includes the ability for the Group to incur one or more incremental facilities within the Senior Secured Facilities Agreement (including up to a specified amount as incurred for liquidity purposes in connection with a government support scheme or state-backed financing ranking pari passu with the Senior Secured Facilities but senior to the Senior Secured Facilities in respect of proceeds of enforcement of the transaction security ("Super Senior State Supported Debt") either as separate term or revolving facilities or as increases to Facility B or the Revolving Credit Facility or any existing incremental facility) up to an aggregate amount, together with any Incremental Equivalent Debt, of (a) the greater of €300.0 million and 75% of LTM Consolidated EBITDA, plus (b) in respect of an incremental revolving facility only, €30 million, plus (c) any additional amount so long as (i) the *pro forma* senior secured net leverage ratio (being the ratio of consolidated senior secured net debt of the Group to LTM Consolidated EBITDA of the Group (each as defined in the Senior Secured Facilities Agreement)) is not more than 4.50x, (ii) to the extent such incremental facility is established to fund an acquisition permitted under the Senior Secured Facilities Agreement, the senior secured net leverage ratio as of the last day of the most recently ended financial quarter of TopCo, is equal to or less than the greater of 4.50x and the senior secured net leverage ratio immediately prior thereto (calculated on a *pro forma* basis for the drawing in full of such incremental facility and such acquisition) or (iii) the proceeds are applied to refinance

pari passu indebtedness of the Group plus an amount equal to all related fees, costs and expenses, in each case, subject to certain conditions being met. The ability to incur incremental facilities is subject to certain conditions including, in the case of any incremental term loan commitments denominated in euro incurred within six months of the First Utilization Date (as defined below) and that mature prior to the date two years after the maturity date applicable to Facility B (as in effect on the First Utilization Date), that the aggregate yield in respect of those incremental term loan commitments does not exceed 1.00% per annum more than the yield applicable to Facility B as at the date of first utilization of Facility B (the "First Utilization Date") (unless the yield on Facility B is increased such that the yield in respect of the incremental term loan commitments does not exceed 1.00% per annum more than the increased yield for Facility B).

Availability

Subject to satisfaction of applicable conditions precedent, Facility B will be available from and including the date the Senior Secured Facilities Agreement is executed up to and including the earlier of the First Utilization Date and the date which is one month after the date of the Senior Secured Facilities Agreement. Any amount not drawn on such dates will be cancelled.

The Revolving Credit Facility may be utilized from and including the date of the Senior Secured Facilities Agreement until the date which is one month prior to the maturity date of the Revolving Credit Facility.

Interest and Fees

Loans under the Senior Secured Facilities Agreement will bear interest at rates *per annum* equal to EURIBOR or, for loans denominated in a currency other than euro, LIBOR (or other appropriate interbank offer rates for other currencies) in each case, subject to a floor of 0.0%, and the following applicable margins:

- % *per annum* in respect of loans under Facility B; and
- % *per annum* in respect of loans under the Revolving Credit Facility,

subject in each case to a margin ratchet based on the senior secured net leverage ratio of the Group.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the First Utilization Date to the end of the availability period applicable to the Revolving Credit Facility at a rate of 35% of the applicable margin for the Revolving Credit Facility. Accrued commitment fee will be payable quarterly in arrears, on the last day of the relevant availability period and on the cancelled amount of any lender's commitment in respect of the Revolving Credit Facility at the time such cancellation is effective.

Default interest will be calculated as an additional 1% on the defaulted amount.

Repayments

Facility B will be repaid in full on the date that is five years from the First Utilization Date. In respect of the Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over drawings on a cashless basis, subject to compliance with certain customary conditions. All outstanding amounts under the Revolving Credit Facility will be repaid on the date that is four years and nine months from the First Utilization Date. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

Prepayment

The Senior Secured Facilities Agreement requires mandatory prepayment in full or in part in certain circumstances, including:

- on a change of control or sale of all or substantially all of the business and/or assets of the Group;
- from a percentage of net cash proceeds received by the Group from certain disposals of assets (including a listing of any shares in a restricted subsidiary of TopCo (other than a listing of the shares in a restricted subsidiary in connection with the debt pushdown provisions in the Intercreditor Agreement) (a "subsidiary listing")) which percentage decreases as the Group's senior secured net leverage ratio decreases, in each case (other than in respect of a subsidiary listing) to the extent that such net cash proceeds have not been applied towards the business of the Group within agreed time periods; and

- for each financial year, a percentage of excess cash flow net of certain deductions which percentage decreases as the Group's senior secured net leverage ratio decreases.

The borrower may voluntarily prepay amounts outstanding under the Senior Secured Facilities Agreement at any time in whole or in part, subject to *de minimis* amounts. Amounts prepaid are subject to break costs and, for any refinancing of Facility B during the first twelve months following the First Utilization Date using a term loan facility the primary purpose of which is to reduce the yield applicable to Facility B, 101% soft call protection.

Guarantees and Security

The Senior Secured Facilities will benefit from substantially the same guarantees and security as the Senior Secured Notes. The Senior Secured Facilities will also benefit from guarantees and security granted by certain restricted subsidiaries incorporated in France and Italy.

Notwithstanding the foregoing, certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the agreed security principles in the Senior Secured Facilities Agreement (the "Agreed Security Principles"). The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory requirements or restrictions, tax restrictions, financial assistance, corporate benefit, fraudulent preference, "thin capitalization", "earnings stripping", "controlled foreign corporation" and "capital maintenance" rules, retention of title claims, employee or works council consultation or approval requirements and similar principles may limit the ability of TopCo or any Restricted Subsidiary to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise. If any such limit applies, the guarantees and security provided will be limited to the maximum amount which TopCo or the relevant Restricted Subsidiary may provide having regard to applicable law (including any jurisprudence);
- guarantees and security will not be required from or over, or over the assets of, any joint venture or similar arrangement, any minority interest or any Restricted Subsidiary that is not wholly owned by TopCo and/or any Restricted Subsidiary (or other Restricted Subsidiaries jointly);
- TopCo or relevant Restricted Subsidiary will use reasonable endeavours to assist in demonstrating that adequate corporate benefit accrues to it and to overcome any such other limitations to the extent reasonably practicable;
- the granting of transaction security and the extent of its perfection shall take into account the cost to TopCo or any Restricted Subsidiary of providing such security (including any increase to the tax and/or regulatory costs of TopCo and its Restricted Subsidiaries) so as to ensure that, in the reasonable opinion of TopCo, those costs are proportionate to the benefit accruing to the secured parties and the maximum amount guaranteed or secured may be limited to minimize stamp duty notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties;
- any assets subject to third party arrangements which are permitted by the Senior Secured Facilities Agreement and which prevent those assets from being charged, and any cash constituting regulatory capital or customer cash, will be excluded from any transaction security document;
- neither TopCo nor its Restricted Subsidiaries will be required to give guarantees or enter into security documents if: (1) they are not wholly-owned by either TopCo and/or a Restricted Subsidiary (or other Restricted Subsidiaries jointly), or if it is not within the legal capacity of TopCo or the relevant Restricted Subsidiary, (2) in the good faith judgement of TopCo, the creation of transaction security and/or the giving of a guarantee and/or otherwise becoming a Guarantor would result in any entity being in breach of any law or regulation (or the views, guidance or interpretation of any relevant regulator), or could materially adversely affect any solvency capital requirements of TopCo or such Restricted Subsidiary pursuant to any applicable law or regulation applicable to TopCo or such Restricted Subsidiary, (3) it would conflict with the fiduciary duties of their directors or managers, (4) contravene any legal, contractual or regulatory prohibition or require any regulatory consent or result in a risk of personal or criminal liability on the part of any officer; (5) the granting of such guarantee or security may, in the reasonable opinion of TopCo,

have an adverse impact on the credit rating of TopCo or such Restricted Subsidiary or any debt or other instrument issued by TopCo or such Restricted Subsidiary or in respect of which TopCo or such Restricted Subsidiary is a trustee, corporate administrator or similar or analogous function; or (6) TopCo or such relevant Restricted Subsidiary is acting as a trustee or similar or analogous function in a securitization, structured financing or other similar arrangement;

- if there are third party arrangements in place in respect of any asset, business or entity acquired by TopCo or any Restricted Subsidiary (where those third party arrangements were not entered into in contemplation of that acquisition) as a result of which the consent of a third party is required for that acquired entity to provide a guarantee or to secure any acquired asset, such guarantee and/or security will not be required to be granted;
- the granting or perfection of transaction security, when required, and other legal formalities will be completed as soon as reasonably practicable and, in any event, within the time periods specified in the Senior Secured Facilities Agreement and/or the transaction security documents therefore or (to the extent no such time periods are specified in the Senior Secured Facilities Agreement and/or the transaction security documents) within the time periods specified by applicable law in order to ensure due perfection, in each case taking into account the Agreed Security Principles;
- the granting of guarantees, transaction security or perfection of transaction security will not be required if: (1) it would have a material adverse effect on the ability of TopCo or any Restricted Subsidiary to conduct its operations and business in the ordinary course or as otherwise permitted by the Senior Secured Facilities Agreement or (2) it would be either impossible or impractical or would unduly disrupt the business of TopCo or any Restricted Subsidiary and, in each such event, a guarantee will not be granted and/or transaction security will not be taken over such assets, as applicable (including, without limitation, notification of such security to any third party);
- the transaction security documents shall be governed by the law of and secure assets located in or otherwise governed or expressed to be governed by the laws of the jurisdiction of incorporation of TopCo or any Restricted Subsidiary;
- no perfection steps will be required to be taken in respect of any transaction security in a jurisdiction other than the jurisdiction that governs the transaction security document under which that transaction security is granted;
- the maximum guaranteed or secured amount may be limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties;
- no guarantee or transaction security shall guarantee or secure any "Excluded Swap Obligations" defined in accordance with the LSTA Market Advisory Update dated 15 February 2013 entitled "Swap Regulations' Implications for Loan Documentation", and any update thereto by the LSTA;
- no perfection action will be required with respect to assets of a type not owned by TopCo or any Restricted Subsidiary;
- the Security Agent will hold one set of transaction security for the secured parties (subject to applicable law);
- any transaction security document shall only be required to be notarized or notarially certified if required by law for the relevant transaction security to become effective or admissible in evidence;
- transaction security will be limited to (i) shares (or equivalent) in the Issuer and other Guarantors, (ii) intra-group receivables owed by the Issuer and other Guarantors (excluding receivables relating to any cash-pooling arrangements), (iii) security over the Senior Unsecured Proceeds Loan (as defined in the Intercreditor Agreement) and (iv) material bank accounts maintained by the Issuer and other Guarantors (other than any bank accounts which are part of a cash pool or factoring arrangement to the extent not permitted under the applicable terms of such cash pool or factoring arrangement); and
- transaction security will not be required over trade receivables that are part of a Factoring Transaction (or equivalent) shall not be pledged or secured as security in respect of the secured obligations.

Representations and Warranties

The Senior Secured Facilities Agreement contains customary representations and warranties (subject to customary materiality, actual knowledge and other qualifications, exceptions and baskets), including:

- status, binding obligations, non-conflict with other obligations, power and authority and validity and admissibility in evidence;
- governing law and enforcement;
- no insolvency, no filing or stamp taxes, no default and no litigation or labor disputes;
- no misleading information in the information memorandum or base case model, and accuracy of financial statements;
- consents, filings and compliance with laws;
- no material tax claims and up to date tax filings;
- *pari passu* ranking;
- legal and beneficial ownership, shares and intellectual property;
- accuracy of group structure chart;
- holding companies;
- pensions;
- 'centre of main interest'; and
- sanctions.

Certain representations and warranties are made on the date the Senior Secured Facilities Agreement is executed and on the First Utilization Date and are repeated on the date of each utilization and on the first day of each interest period and/or at certain other times.

Covenants

The Senior Secured Facilities Agreement contains operating covenants, subject to certain agreed exceptions, including covenants restricting the ability of certain members of the Group to:

- create security;
- make investments (including granting loans and guarantees);
- incur indebtedness or enter into certain derivatives contracts;
- make fundamental changes (including by way of merger or consolidation);
- make dispositions;
- make restricted payments (including dividends and other distributions);
- change the nature of the business of the Group;
- enter into transactions with affiliates other than on arm's length terms;
- prepay, redeem, purchase or defease certain junior indebtedness; and
- designate subsidiaries as restricted or unrestricted subsidiaries.

The Senior Secured Facilities Agreement also requires compliance with certain affirmative covenants, including covenants relating to:

- maintenance of relevant authorizations and consents;
- *pari passu* ranking;
- pension schemes;
- 'centre of main interest';
- corporate rating;
- payment of taxes;
- maintenance of insurance;
- compliance with laws;
- holding companies;
- granting of additional security and guarantees after the First Utilization Date; and
- maintenance of guarantor coverage requirement (being 80% of applicable Consolidated EBITDA) and requirement for wholly owned Material Subsidiaries (accounting for 5% of Consolidated EBITDA) to become guarantors on an annual basis (within 120 days of delivery of the relevant financial statements).

If, on the last day of any financial quarter of the Group, the aggregate outstanding amount of drawn loans under the Revolving Credit Facility and any incremental revolving credit facility (excluding any amount utilized by letter of credit or ancillary facility and net of unrestricted cash and cash equivalent investments) exceeds 40% of the total Revolving Credit Facility commitments (including those of any incremental revolving credit facility) at that time, the Senior Secured Facilities Agreement will require that the senior secured net leverage ratio does not exceed 7.75:1.00. The ratio is based on the definitions in the Senior Secured Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this offering memorandum.

Events of Default

The Senior Secured Facilities Agreement contains certain events of default, the occurrence of which would allow the Majority Lenders or in the case of a breach of the springing financial maintenance covenant, the Majority Revolving Facility Lenders (in each case under and as defined in the Senior Secured Facilities Agreement) to accelerate all outstanding loans and terminate their respective commitments, including (subject to certain exceptions, materiality qualifiers and grace periods):

- non-payment of amounts due under the Senior Secured Facilities finance documents;
- breach of the springing financial maintenance covenant or non-compliance with other obligations under the Senior Secured Facilities finance documents;
- inaccuracy of representation, warranty or written statement when made;
- invalidity, unenforceability, repudiation, rescission or unlawfulness of the Senior Secured Facilities financing documents;
- cross-payment default and cross-acceleration;
- insolvency, insolvency proceedings and similar events elsewhere;
- cessation of business;
- breach of the Intercreditor Agreement;
- compulsory acquisition;

- commencement of material litigation; and
- audit qualification.

Intercreditor Agreement

General

To establish the relative rights of certain creditors under the financing arrangements, LuxCo3 and Kirk Beauty 2 Beteiligungs GmbH & Co. KG (the "Original HoldCos" and together with any entity that is the direct holder of any shares issued in Topco from time to time and which accedes to the Intercreditor Agreement as a HoldCo, "HoldCo"), Topco and certain Subsidiaries of Topco (Topco, together with certain Subsidiaries of Topco which accede to the Intercreditor Agreement as a debtor, the "Debtors") have entered into the Intercreditor Agreement, together with each Subsidiary of Topco which has provided financial accommodation to a Debtor or Debtors in excess of an aggregate threshold amount (and subject to other exceptions) (the "Intra-Group Liabilities") and which has acceded to the Intercreditor Agreement (or, which in the future accedes) as an intra-group lender, the "Intra-Group Lenders" and, for the purposes of this section, Topco and its Subsidiaries are hereinafter referred to as the "Group") with, among others, the Security Agent, the Senior Secured Notes Trustee, the lenders under the Senior Secured Facilities Agreement and the facility agent under the Senior Secured Facilities Agreement (together with any other entity which accedes as a senior agent under and in accordance with the Intercreditor Agreement, a "Senior Agent"). The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, when payments can be made in respect of certain indebtedness of the Debtors, when enforcement action can be taken in respect of any transaction security provided in respect of that debt, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions contained in the Intercreditor Agreement which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

The intercreditor facilitates a number of different types of financing which may be incurred by certain entities within the Group, including:

- (a) any Debtor may be a borrower (subject to any limitations set out in the relevant Senior Facilities Agreement (as defined below)) (a "Senior Borrower") under the Senior Secured Facilities Agreement, or any other facilities agreement designated as a "Senior Facilities Agreement" for the purposes of the Intercreditor Agreement by Topco (each a "Senior Facilities Agreement" and any mandated lead arranger under such Senior Facilities Agreement, a "Senior Arranger", any lender, issuing bank or ancillary lender under such Senior Facilities Agreement, a "Senior Lender" and any liabilities owed by a Debtor to such Senior Lenders, the "Senior Lender Liabilities");
- (b) any Debtor may enter into any cash management agreement permitted under the Senior Secured Finance Documents (as defined below) (each a "Cash Management Agreement" and any bank or financial institution which is a creditor of any liabilities (the "Cash Management Liabilities") owed by a Debtor in connection with a Cash Management Agreement, a "Cash Management Provider");
- (c) any Debtor may enter into any hedging agreement (each a "Hedging Agreement") in relation to any floating interest rate exposures or foreign exchange exposures in relation to term facilities under (i) any Senior Facilities Agreement, Second Lien Facilities Agreement (as defined below) or Senior Unsecured Facilities Agreement (as defined below) or the aggregate principal amount of any Senior Secured Notes Liabilities (as defined below), Second Lien Notes Liabilities (as defined below) or Senior Unsecured Notes Liabilities (as defined below) or (ii) any other interest rate or foreign exchange exposures, commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract, in each case provided such arrangements were entered into in the ordinary course of a Debtor's business and not for speculative purposes (and any liabilities owed by a Debtor to any hedge counterparty (each a "Hedge Counterparty"), the "Hedging Liabilities");
- (d) (i) Topco, (ii) any wholly owned Restricted Subsidiary of Topco that (to the extent the Senior Secured Facilities Agreement is in place) is a borrower in respect of any term facilities under the Senior Secured Facilities Agreement; or (iii) a special purpose vehicle created for the purpose of issuing senior secured notes as a direct wholly owned Restricted Subsidiary of Topco and which is a guarantor of the

Senior Lender Liabilities, the Hedging Liabilities and the Cash Management Liabilities (together the "Senior Liabilities") and does not hold shares in any other person and has no principal purpose other than to issue, or for the purposes of, Senior Secured Notes (as defined below) and activities related thereto or certain permitted activities (in each case a "Senior Secured Notes Issuer") may issue the Notes and any other senior secured notes from time to time which are permitted to be issued in accordance with or are not prohibited by (A) any Finance Document under and as defined in a Senior Facilities Agreement (a "Senior Finance Document"); or (B) any document entered into connection with any Senior Secured Notes and designated a "Senior Secured Notes Finance Document" by Topco and a Senior Secured Notes Trustee (a "Senior Secured Notes Finance Document" and together with the Senior Finance Documents, the "Senior Secured Finance Documents"), which are designated by Topco as senior secured notes for the purposes of the intercreditor Agreement (the "Senior Secured Notes" and any liabilities owed by a Debtor to a noteholder under the Senior Secured Notes, the "Senior Secured Notes Liabilities");

- (e) (i) Topco, (ii) any wholly owned Restricted Subsidiary of Topco that (to the extent the Senior Secured Facilities Agreement is in place) is a borrower in respect of any term facilities under the Senior Secured Facilities Agreement; or (iii) a special purpose vehicle created for the purpose of borrowing a second lien facility as a direct wholly owned Restricted Subsidiary of Topco and which is a guarantor of the Senior Liabilities and does not hold shares in any other person and has no principal purpose other than to borrow any second lien facility and activities related thereto or certain permitted activities (each a "Second Lien Borrower") may enter into any second lien facilities agreement(s) designated by Topco as a Second Lien Facility Agreement for the purposes of the Intercreditor Agreement (each a "Second Lien Facility Agreement"), provided that such entry into the second lien facilities agreement does not breach the terms of (A) any Finance Document under and as defined in a Second Lien Facility Agreement (the "Second Lien Loan Finance Documents"); or (B) any document entered into in connection with any Second Lien Notes (as defined below) and designated a Second Lien Notes Finance Document by Topco and a Second Lien Notes Trustee (a "Second Lien Notes Finance Document" and together with the Second Lien Loan Finance Documents, the "Second Lien Finance Documents") or under any Senior Secured Finance Documents (and any liabilities owed by a Debtor to a lender (a "Second Lien Lender") under the Second Lien Facility Agreement, the "Second Lien Lender Liabilities");
- (f) (i) Topco, (ii) any wholly owned Restricted Subsidiary of Topco that (to the extent the Senior Secured Facilities Agreement is in place) is a borrower in respect of any term facilities under the Senior Secured Facilities Agreement; or (iii) a special purpose vehicle created for the purpose of issuing senior secured notes as a direct wholly owned Restricted Subsidiary of Topco and which is a guarantor of the Senior Liabilities and does not hold shares in any other person and has no principal purpose other than to issue, or for the purposes of, Second Lien Notes (as defined below) and activities related thereto or certain permitted activities (in each case a "Second Lien Notes Issuer") may issue any second lien notes from time to time which are permitted to be issued in accordance with or are not prohibited by any Senior Secured Finance Document or Second Lien Finance Document, which are designated by Topco as second lien notes for the purposes of the intercreditor Agreement (the "Second Lien Notes", and any liabilities owed by a Debtor to any noteholder under the Second Lien Notes, the "Second Lien Notes Liabilities");
- (g) (i) the HoldCos or (ii) any Holding Company of Topco (which is not a Holdco) or a wholly owned Subsidiary of a Holding Company of Topco in each case which is not a member of the Group, other than certain permitted activities under the Intercreditor Agreement, has no principal purpose and does not conduct any business or own any other assets, other than to borrow the Senior Unsecured Facility (as defined below) and activities related thereto and which is not a borrower or issuer (or co-borrower or co-issuer) of (A) any Senior Liabilities or any Senior Secured Notes Liabilities (together the "Senior Secured Liabilities") or (B) any Second Lien Lender Liabilities or Second Lien Notes Liabilities (together the "Second Lien Liabilities") and who accedes to the Intercreditor Agreement as a Senior Unsecured Borrower (each a "Senior Unsecured Borrower") may enter into any unsecured facilities agreement(s) designated as a Senior Unsecured Facility Agreement by Topco for the purposes of the Intercreditor Agreement (a "Senior Unsecured Facilities Agreement") provided that such unsecured facilities agreement is permitted or not prohibited by (A) the Senior Secured Finance Documents, (B) the Second Lien Finance Documents or (C) any Finance Document under and as defined in any Senior Unsecured Facilities Agreement (the "Senior Unsecured Loan Finance Documents") or any document entered into in connection with any Senior Unsecured Notes (as defined below) and designated a Senior Unsecured Notes Finance Document (a "Senior Unsecured Notes Finance Document" and together with the Senior Unsecured Loan Finance Documents, the "Senior Unsecured Finance Documents") (and any liabilities owed by a Debtor to a lender (a "Senior Unsecured Lender") under a Senior Unsecured Facilities Agreement, the "Senior Unsecured Lender Liabilities"); and

- (h) (i) the HoldCos; or (ii) any Holding Company of Topco (which is not a Holdco) or a wholly owned Subsidiary of a Holding Company of Topco in each case which is not a member of the Group, other than certain permitted activities under the Intercreditor Agreement, has no principal purpose and does not conduct any business or own any other assets, other than to issue, or for the purpose of Senior Unsecured Notes (as defined below) and activities related thereto and which is not a borrower or issuer (or co-borrower or co-issuer) of any Senior Secured Liabilities or any Second Lien Liabilities and who accedes to the intercreditor Agreement as a Senior Unsecured Notes Issuer (each a "Senior Unsecured Notes Issuer") may issue any unsecured notes from time to time which are permitted to be issued in accordance with or are not prohibited by any Senior Secured Finance Document, Second Lien Finance Document or Senior Unsecured Finance Document, which are designated by Topco as senior unsecured notes for the purposes of the Intercreditor Agreement (the "Senior Unsecured Notes", and any liabilities owed by a Debtor to any noteholder under the Senior Unsecured Notes, the "Senior Unsecured Notes Liabilities").

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Debtors to (a)(i) the Senior Creditors (as defined under the caption "*–Restriction on Enforcement: Senior Lenders and Senior Secured Noteholders*") (ii) each noteholder of the Senior Secured Notes ("a Senior Secured Noteholder"), any notes trustee appointed in connection with the Senior Secured Notes, including the Trustee (the "Senior Secured Notes Trustee") and the Security Agent (the "Senior Secured Notes Creditors", and together with the Senior Creditors, the "Senior Secured Creditors"); (b)(i) each Second Lien Lender, any facility agent in respect of a Second Lien Facilities Agreement (a "Second Lien Agent") and the Security Agent (the "Second Lien Loan Creditors"); (ii) each noteholder under the Second Lien Notes (a "Second Lien Noteholder"), any notes trustee appointed in connection with the Second Lien Notes (a "Second Lien Notes Trustee") and the Security Agent (the "Second Lien Notes Creditors", and together with the Second Lien Loan Creditors, the "Second Lien Creditors") and (c)(i) the Senior Unsecured Lenders, any facility agent in respect of a Senior Unsecured Facilities Agreement (a "Senior Unsecured Agent") and the Security Agent (the "Senior Unsecured Loan Creditors"); (ii) each noteholder under the Senior Unsecured Notes (a "Senior Unsecured Noteholder"), any notes trustee appointed in connection with the Senior Unsecured Notes (a "Senior Unsecured Notes Trustee") and the Security Agent (the "Senior Unsecured Notes Creditors", and together with the Senior Unsecured Loan Creditors, the "Senior Unsecured Creditors") (and together with the Senior Secured Creditors and the Second Lien Creditors, the "Primary Creditors"); (d) the Senior Arrangers, any arranger under a Second Lien Facility Agreement (a "Second Lien Arranger") and any mandated lead arranger under a Senior Unsecured Facilities Agreement (the "Senior Unsecured Arrangers" and together with the Senior Arrangers and the Second Lien Arrangers, the "Arrangers"); (e) Senior Agent(s), the Senior Secured Notes Trustee(s), the Second Lien Agent(s), the Second Lien Notes Trustee(s) the Senior Unsecured Notes Trustee(s), the Senior Unsecured Agent(s) and the Security Agent (together the "Agents"); (f) the Senior Secured Notes Issuer (only in respect of any liabilities on-lent by a Senior Secured Notes Issuer that is a special purpose vehicle to Topco or any other member of the Group that is a borrower of a term facility under a Senior Facilities Agreement ("Senior Secured Notes Proceeds Loan Liabilities")); (g) the Second Lien Borrower or a Second Lien Notes Issuer (only in respect of any liabilities on-lent by such Second Lien Borrower or Second Lien Notes Issuer that is a special purpose vehicle to Topco ("Second Lien Proceeds Loan Liabilities")); or (h) the Senior Unsecured Borrower or a Senior Unsecured Notes Issuer (only in respect of any liabilities on-lent by such Senior Unsecured Borrower or Senior Unsecured Notes Issuer ("a SUN Borrower/Issuer") to Topco ("Senior Unsecured Proceeds Loan Liabilities" and each such on-lending a "Senior Unsecured Proceeds Loan")) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- *first*, the liabilities (the "Agent Liabilities") owed to the Agents, the liabilities owed to the Senior Arrangers (the "Senior Arranger Liabilities"), the liabilities owed to the Second Lien Arrangers (the "Second Lien Arranger Liabilities"), the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Second Lien Liabilities, the Hedging Liabilities, the Cash Management Liabilities, the Senior Secured Notes Proceeds Loan Liabilities and the Second Lien Notes Proceeds Loan Liabilities *pari passu* and without any preference between them;
- *second*, the Senior Unsecured Liabilities, any liabilities owed to a Senior Unsecured Arranger (the "Senior Unsecured Arranger Liabilities") and the Senior Unsecured Proceeds Loan Liabilities *pari passu* between themselves and without any preference between them.

Liabilities owed by the Senior Unsecured Notes Issuer or Senior Unsecured Borrower to the Primary Creditors, the Agents and the Arrangers shall rank *pari passu* in right and priority of payment and without any preference between each of the Agent Liabilities, the Arranger Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities, the Hedging Liabilities, the Second Lien

Liabilities, the Senior Secured Notes Proceeds Loan Liabilities, the Second Lien Proceeds Loan Liabilities, the Senior Unsecured Liabilities and the Senior Unsecured Proceeds Loan Liabilities.

Priority of Security

- (a) Prior to the Term Lender Discharge Date (as defined below), the transaction security shall rank and secure the following liabilities (only to the extent that such security is expressed to secure the relevant liabilities) in the following order:
- *first*, Agent Liabilities, the Senior Arranger Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities and the Hedging Liabilities *pari passu* and without any preference between them;
 - *second*, the Second Lien Arranger Liabilities and the Second Lien Liabilities *pari passu* and without any preference between them; and
 - *third*, to the extent of any shared security permitted by the Intercreditor Agreement (being security over (i) the shares in Topco and shareholder debt instruments issued to HoldCo by Topco, and (ii) all receivables owed by Topco under any Senior Unsecured Proceeds Loan to a SUN Borrower/Issuer and/or liabilities owed by Topco to any Investor (defined as any Senior Unsecured Borrower or Senior Unsecured Notes Issuer and any holding company of TopCo or any other creditor in respect of shareholder indebtedness (as defined in the Senior Facilities Agreement) to which liabilities are owed by a member of the Group which is not itself a member of the Group, each an "Investor") (the "Senior Unsecured Shared Security") granted in favor of the Security Agent on behalf of the Agents, the Arrangers, each of the Primary Creditors and any receiver or delegate (together, the "Secured Parties")), the Senior Unsecured Liabilities and Senior Unsecured Arranger Liabilities *pari passu* and without any preference between them;.
- (b) On and following the Term Lender Discharge Date (as defined below), the transaction security shall rank and secure the following liabilities (only to the extent that such security is expressed to secure the relevant liabilities) in the following order:
- *first*, the Agent Liabilities, the Senior Arranger Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities, the Hedging Liabilities that are permitted by the Intercreditor Agreement to rank super senior (the "Super Senior Hedging Liabilities" and the Hedge Counterparties in respect of such Super Senior Hedging Liabilities, the "Super Senior Hedge Counterparties") and the Hedging Liabilities that are not permitted by the Intercreditor Agreement to rank super senior (the "Pari Passu Hedging Liabilities" and the Hedge Counterparties in respect of such Pari Passu Hedging Liabilities, the "Pari Passu Hedge Counterparties") *pari passu* and without any preference between them; and
 - *second*, the Second Lien Arranger Liabilities and the Second Lien Liabilities *pari passu* and without any preference between them; and
 - *third*, to the extent of any Senior Unsecured Shared Security, the Senior Unsecured Arranger Liabilities and the Senior Unsecured Liabilities *pari passu* and without any preference between them.
- "Term Lender Discharge Date" means, at a time at which Senior Lender Liabilities continue to exist with respect to any Revolving Facility, the date designated by Topco in writing to each Agent falling on or after the first date on which all Senior Lender Liabilities and Second Lien Lender Liabilities with respect to all term facilities under any Senior Facilities Agreement or Second Lien Facilities Agreement (as applicable) have been fully and finally discharged, otherwise than as a result of an Enforcement, and the Senior Lenders and the Second Lien Lenders (each in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors with respect to any such term facilities under the applicable Senior Finance Documents or Second Lien Loan Finance Documents (as applicable) provided that such designation would not result, on the date of that designation, in a breach of any Senior Secured Finance Document, Cash Management Agreement, Hedging Agreement, Second Lien Finance Document or Senior Unsecured Finance Document.
- (c) Any security ("the Senior Unsecured Only Security") created or expressed to be created in favor, or for the benefit, of the Senior Unsecured Finance Parties by any "Senior Unsecured Security Provider" (being (i) Holdco; (ii) a SUN Borrower/Issuer and/or (iii) any Holding Company of Holdco or other Investor) over any assets which are not subject to Senior Unsecured Shared Security (any security document relating to the Senior Unsecured Only Security (the "Senior Unsecured Only Security Documents") shall rank and secure only the Senior Unsecured Arranger Liabilities and the Senior Unsecured Liabilities *pari passu* and without preference between them (irrespective of whether the

related Senior Unsecured Only Security Documents are themselves expressed to be first ranking or of lower ranking but only to the extent that such Senior Unsecured Only Security is expressed to secure these Liabilities).

Intra-Group Liabilities, Holdco Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities and the liabilities owed to an Investor by a member of the Group under or in connection with any investor document excluding any Senior Unsecured Proceeds Loan Liabilities (the "Investor Liabilities") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors, the Agents and the Arrangers.

Additional and/or Refinancing Debt

The Creditors acknowledge in the Intercreditor Agreement that the Debtors (or any of them), Holdco, a Senior Unsecured Notes Issuer and/or a Senior Unsecured Borrower may wish to (i) incur incremental borrowing liabilities and/or guarantee liabilities in respect of incremental borrowing liabilities or new borrowing liabilities and guarantee liabilities or (ii) refinance borrowing liabilities and/or incur guarantee liabilities in respect of any such refinancing of borrowing liabilities, which in any such case are intended to rank *pari passu* with or (other than (except Super Senior Lender Liabilities (as defined below) and, in the case of, on and from the Term Lender Discharge Date, the Senior Lender Liabilities, the Cash Management Liabilities and the Super Senior Hedging Liabilities) in priority to the Senior Secured Liabilities in respect of payments made by the Security Agent pursuant to the provisions outlined under "*Application of Proceeds*" below only) in priority to any existing liabilities and/or share *pari passu* with or (other than (except Super Senior Lender Liabilities (as defined below) and, in the case of, on and from the Term Lender Discharge Date, the Senior Lender Liabilities, the Cash Management Liabilities and the Super Senior Hedging Liabilities) in priority to the Senior Secured Liabilities in respect of payments made by the Security Agent pursuant to the provisions outlined under "*Application of Proceeds*" below only) in priority to any existing security and/or to rank behind any existing liabilities and/or to share in any existing security behind such existing liabilities.

The Creditors confirm under the Intercreditor Agreement that if and to the extent such a financing or refinancing and such ranking and such security is permitted or not prohibited by the terms of the Debt Documents at such time, they will (at the cost of the Debtors) co-operate with the Debtors with a view to enabling such financing or refinancing and such sharing in the Security to take place. In particular, but without limitation, the Senior Lenders, the Hedge Counterparties, the Second Lien Lenders, the Senior Unsecured Lenders, the Senior Secured Noteholders, the Second Lien Noteholders and the Senior Unsecured Noteholders authorize and direct its Agent and the Security Agent under the Intercreditor Agreement to execute any amendment, confirmation or other relevant document to the Intercreditor Agreement and such other Debt Documents required to reflect such arrangements to the extent such financing, refinancing and/or sharing is permitted or not prohibited by such Debt Documents.

Restrictions Relating to the Senior Lender Liabilities and the Senior Secured Notes Liabilities

The Debtors may make payment at any time in respect of the Senior Secured Creditor Liabilities in accordance with the provisions of the applicable Senior Finance Documents and Senior Secured Notes Finance Documents, *provided* that following acceleration events under the Senior Finance Documents or the Senior Secured Notes Finance Documents or following certain insolvency events, payments may only be made by Debtors and received by creditors in accordance with the provisions described under "*Application of Proceeds*".

Security and Guarantees: Senior Secured Creditors

Subject to certain customary exceptions for ancillary lenders and issuing banks under Senior Finance Documents, the Senior Lenders and the Senior Secured Noteholders may take, accept or receive the benefit of:

- any security from any member of the Group or the Senior Unsecured Security Providers in respect of Senior Lender Liabilities or the Senior Secured Note Liabilities in addition to the common transaction security granted in favor of the Security Agent on behalf of the Secured Parties other than (i) any Finance Party under and as defined in any Senior Unsecured Facilities Agreement or (ii) any Senior Unsecured Notes Trustee (for and on behalf of itself and the Senior Unsecured Noteholders that it represents)(the "Senior Secured Parties") if and to the extent legally possible and subject to certain agreed security principles, the other Senior Secured Parties already benefit from such security (or security over the same assets) or at the same time, it is also offered either:
 - to the Security Agent as security agent or trustee for the other Senior Secured Parties in respect of their secured obligations;
 - to the Senior Secured Parties in respect of their Liabilities;

- to the Security Agent as joint and several creditor of the Senior Secured Parties; or
- in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as security agent or trustee for the other Senior Secured Parties:
 - to the other Senior Secured Parties in respect of their secured obligations; or
 - to the Security Agent under a parallel debt structure or agency structure for the benefit of the other Senior Secured Parties,

and ranks in the same order of priority as set out under the caption “*–Priority of Security,*” provided that all amounts received or recovered by any Senior Secured Creditor with respect to such security are immediately paid to the Security Agent and held and applied in accordance with the provisions set out under the caption “*–Application of Proceeds*”; and

- any guarantee, indemnity or other assurance against loss from any member of the Group regarding the Senior Lender Liabilities or the Senior Secured Notes Liabilities in addition to those in:
 - the Senior Facilities Agreement or the Senior Secured Notes Indenture;
 - the Intercreditor Agreement; or
 - any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Senior Secured Parties in respect of their Senior Secured Liabilities and their Second Lien Liabilities,

if and to the extent legally possible, and subject to certain agreed security principles, the other Senior Secured Parties already benefit from such a guarantee, indemnity or other assurance against loss or at the same time it is also offered to the other Senior Secured Parties in respect of their liabilities and ranks in the same order of priority as set out under the caption “*–Ranking and Priority*”.

This provision does not require any security or guarantee to be granted in respect of the Senior Unsecured Liabilities nor prevent the granting of any security by any Senior Unsecured Security Provider of Senior Unsecured Only Security with respect to the Senior Unsecured Liabilities.

Restriction on Enforcement: Senior Lenders and Senior Secured Noteholders

The Intercreditor Agreement provides that the Senior Lenders and the Senior Secured Noteholders may not take any action to enforce the transaction security without the prior written consent of an Instructing Group (as defined below).

An “Instructing Group” means at any time:

- (a) if the Term Lender Discharge Date has not occurred:
 - prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors; and
 - on or after the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the Majority Second Lien Creditors; and
 - on or after the later of the Senior Secured Discharge Date and the Second Lien Discharge Date but prior to the Senior Unsecured Discharge Date, the Majority Senior Unsecured Creditors.
- (b) at any time on or after the Term Lender Discharge Date:
 - prior to the Senior Secured Discharge Date, the Majority Senior Creditors and the Majority Pari Passu Creditors, provided that, in relation to instructions relating to enforcement of the Collateral, the Instructing Group shall be the group of Primary Creditors entitled to give such instructions under the caption titled “*Instructions to Enforce—On or following the Term Lender Discharge Date*”; and
 - on or after the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the Majority Second Lien Creditors; and

- on or after the later of the Senior Secured Discharge Date and the Second Lien Discharge date, but prior to the Senior Unsecured Discharge Date, the Majority Senior Unsecured Creditors.

“Majority Pari Passu Creditors” means, on or after the Term Lender Discharge Date, those Senior Secured Noteholders and Pari Passu Hedge Counterparties whose Pari Passu Credit Participations at any time aggregate more than 50% of the total Pari Passu Credit Participations at that time.

“Majority Second Lien Creditors” means, at any time, those Second Lien Creditors whose Second Lien Credit Participations at that time aggregate more than 50% of the total Second Lien Credit Participations at that time.

“Majority Senior Creditors” means, at any time, those Senior Creditors (other than the Cash Management Providers) whose Senior Credit Participations at any time aggregate more than 50% of the total Senior Credit Participations at that time.

“Majority Senior Secured Creditors” means, at any time, those Senior Secured Creditors (other than the Cash Management Providers) whose Senior Secured Credit Participations at any time aggregate more than 50% of the total Senior Secured Credit Participations at that time.

“Majority Senior Unsecured Creditors” means, at any time, those Senior Unsecured Creditors whose Senior Unsecured Credit Participations at any time aggregate more than 50% of the total Senior Unsecured Credit Participations at that time.

“Pari Passu Credit Participations” means, on or after the Term Lender Discharge Date (i) in relation to a holder of any Senior Secured Notes, the aggregate outstanding principal amount of the Senior Secured Notes held by it, if any and any outstanding principal amount of Senior Secured Notes Liabilities in respect of which it is the creditor, if any, (ii) in relation to a Senior Secured Noteholder in respect of any facility agreement (not being the Senior Facilities Agreement) which is permitted to rank pari passu to the Senior Secured Notes, its aggregate drawn and undrawn commitments under such facility agreement and (iii) in relation to any Pari Passu Hedge Counterparty, amounts payable for terminated or closed out hedging obligations that constitute Pari Passu Hedging Liabilities and amounts that would be payable in respect of hedging obligations that constitute Pari Passu Hedging Liabilities if they were terminated or closed out at that time.

“Second Lien Credit Participations” means (i) in relation to a Second Lien Lender, the aggregate of its (drawn and undrawn) commitments under the Second Lien Facilities Agreement(s); and (ii) in relation to a Second Lien Noteholder, the principal amount of outstanding Second Lien Notes held by that Second Lien Noteholder.

“Second Lien Discharge Date” means the later of (i) the date on which all Second Lien Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Second Lien Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Second Lien Loan Finance Documents (the “Second Lien Lender Discharge Date”) and (ii) the date on which all the Second Lien Notes Liabilities have been fully and finally discharged, whether or not as the result of any enforcement, and the Second Lien Noteholders are under no further obligation to provide financial accommodation to any of the Debtors under the Second Lien Notes Finance Documents (the “Second Lien Notes Discharge Date”).

“Senior Creditors” means (i) prior to the Term Lender Discharge Date, the Senior Lenders, the Cash Management Providers and the Hedge Counterparties and (ii) on or after the Term Lender Discharge Date, the Senior Lenders, the Cash Management Providers and the Super Senior Hedge Counterparties.

“Senior Credit Participations” means, (i) prior to the Term Lender Discharge Date, the aggregate drawn and undrawn commitments under any Senior Facilities Agreement, amounts payable for terminated or closed out hedging obligations and amounts that would be payable in respect of hedging obligations if they were terminated or closed out at that time and, (ii) on or after the Term Lender Discharge Date, means the aggregate drawn and undrawn commitments under any Senior Facilities Agreement, amounts payable for terminated or closed out obligations under any hedging agreement constituting Super Senior Hedging Liabilities and amounts that would be payable in respect of those Super Senior Hedging Liabilities if they were terminated or closed out at that time.

“Senior Secured Credit Participations” refers to Senior Credit Participations and, in relation to holders of Senior Secured Notes, the principal amount of outstanding (or where applicable, its aggregate commitments under any) Senior Secured Notes held.

"Senior Secured Discharge Date" means the date on which all of the Senior Secured Liabilities have been fully and finally discharged whether or not as the result of an enforcement and the Senior Secured Creditors are under no further obligation to provide any financial accommodation to the Debtors under any of the Debt Documents.

"Senior Unsecured Credit Participation" means (i) in relation to a Senior Unsecured Lender, its aggregate (drawn and undrawn) commitments under any Senior Unsecured Facilities Agreement and, (ii) in relation to a Senior Unsecured Noteholder, the principal amount of outstanding Senior Unsecured Notes held by that Senior Unsecured Noteholder.

"Senior Unsecured Discharge Date" means the date on which all Senior Unsecured Liabilities have been unconditionally discharged in full.

Option to Purchase Senior Liabilities and transfer Hedging Liabilities: Senior Secured Noteholders

Upon acceleration under any Senior Facilities Agreement, Senior Secured Notes Finance Document, any Second Lien Facilities Agreement, any Second Lien Notes Finance Document, any Senior Unsecured Facilities Agreement or any Senior Unsecured Notes Finance Documents (each an "Acceleration Event") or enforcement of the transaction security, holders of the Senior Secured Notes (or those that wish to make that wish to make the relevant purchase) may elect, subject to certain conditions set out in the Intercreditor Agreement, by not less than 10 days' notice to the Security Agent, to purchase the Senior Lender Liabilities for the amount that would have been required to prepay such liabilities on such date plus certain costs and expenses. The relevant holders of the Senior Secured Notes must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to them at the same time in exchange for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase. The Intercreditor Agreement sets out the terms that apply to any purchase of the Senior Lender Liabilities and the Hedging Liabilities, which include that the Second Lien Creditors and Senior Unsecured Creditors have not exercised their similar right.

Restrictions Relating to the Second Lien Creditors and the Second Lien Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent and (to the extent otherwise prohibited under the indenture or other debt instrument pursuant to which the relevant Senior Secured Notes are issued (a "Senior Secured Notes Indenture") the Senior Secured Notes Trustee(s) under such Senior Secured Notes Finance Document, the Debtors shall not (and Topco shall ensure that no member of the Group will):

- (i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Second Lien Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Second Lien Liabilities except as permitted by the provisions set out above under the caption "*–Additional and/or Refinancing Debt*" or below under the captions "*–Permitted Second Lien Payments*," "*–Permitted Second Lien Enforcement*," "*–Effect of Insolvency Event; Filing of Claims*" or "*–New Debt Financing*";
- (ii) exercise any set-off against any Second Lien Liabilities, except as permitted by the provisions set out in the caption "*–Permitted Second Lien Payments*" below, the provisions set out in the caption "*–Restrictions on Senior Unsecured Enforcement*" below or the provisions set out in the caption "*–Effect of Insolvency Event; Filing of Claims*" below.

Permitted Second Lien Payments

Prior to the Senior Secured Discharge Date, the Debtors may make payments to the Second Lien Creditors in respect of the Second Lien Liabilities then due in accordance with the Second Lien Finance Documents if that payment is:

- (i) of any principal amount of the Second Lien Liabilities which is either (A) permitted or not prohibited from being paid under the Senior Secured Finance Documents; (B) paid on or after the final maturity date of the relevant Second Lien Liabilities (provided that such maturity date complies with the terms of the Senior Secured Finance Documents) or (C) in respect of any Second Lien Lender Liabilities only, is paid in accordance with certain mandatory prepayment and replacement of lender provisions of the Second Lien Facilities Agreement;

- (ii) of any principal amount of Second Lien Lender Liabilities that constitute a scheduled nominal amortization of Second Lien Lender Liabilities (provided that such nominal amortization is permitted or not prohibited by the terms of the Senior Secured Finance Documents);
- (iii) of a principal amount of the Second Lien Lender Liabilities in an amount, when aggregated with all such amounts paid under certain replacement of lender provisions of the Second Lien Facilities Agreement, not exceeding the amount of any proceeds which are subject to mandatory prepayment provisions under the Senior Facilities Agreement where the requirement to prepay such proceeds has been waived by the Senior Lenders;
- (iv) of any amount which is not an amount of principal or, for the avoidance of doubt, capitalized interest;
- (v) of certain amounts due to the Second Lien Notes Trustee(s) for its own account (the "Second Lien Notes Trustee Amounts");
- (vi) in respect of the Second Lien Loan Liabilities only, commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisers) and any fees or expenses of the Second Lien Agent not covered by paragraph (viii) below in an aggregate amount not exceeding €1,000,000 (or its equivalent in other currencies) in aggregate in any 12 month period, but excluding any fees incurred in connection with the current, threatened or pending litigation against any Senior Secured Creditor or any affiliate of a Senior Secured Creditor;
- (vii) in respect of the Second Lien Notes Liabilities only, the payment is any other amount not exceeding €1,000,000 in aggregate in any 12 month period;
- (viii) of any amount due under any fee letter relating to and as defined in the Second Lien Facilities Agreement;
- (ix) if, in relation to the Second Lien Notes Liabilities only, the payment is of certain defined permitted administrative costs or notes security costs;
- (x) made in pursuance of a debt buy-back program in relation to Second Lien Lender Liabilities that is not prohibited by the terms of the Senior Secured Finance Documents or was established with the approval of the Majority Senior Lenders and the Senior Secured Notes Trustees in respect of any then outstanding Senior Secured Notes;
- (xi) of any consent and/or waiver fee in respect of any consent granted under, or waiver or amendment of any provision of, a Second Lien Loan Finance Document or of costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Second Lien Notes Finance Documents (including in relation to any reporting or listing requirements under the Second Lien Notes Finance Documents);
- (xii) following the occurrence of an event of default which is continuing under the Second Lien Finance Documents and provided that the payment is of all or part of the Second Lien Liabilities as a result of those Second Lien Liabilities being released or otherwise discharged solely in consideration of the issue of shares in Topco or any Holding Company of Topco (a "Debt for Equity Swap") provided that (v) no cash or cash equivalent payment if made in respect of the Second Lien Liabilities, (w) any liabilities owed by a member of the Group to another member of the Group, Topco or any Holding Company of Topco that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Liabilities and otherwise subject to the Intercreditor Agreement, (x) no member of the Group becomes liable for or incurs any tax liability as a result of such Debt for Equity Swap which is materially adverse to the interests of the Senior Secured Creditors, (y) no change of control would arise as a result of such Debt for Equity Swap and (z) any such share in Topco are subject to the transaction security;
- (xiii) of non-cash interest provided payment is made by means of capitalization of interest or the issue of an instrument evidencing the same and ranking with the Senior Secured Liabilities on the same terms as the Second Lien Liabilities; and
- (xiv) made where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Second Lien Lender Liabilities during a period when a Second Lien Payment Stop Notice (as defined below under the caption "*Payment Blockage Provisions*") was outstanding;

- (xv) of underwriters or lead managers fees (including original issue discounts) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Second Lien Lender Liabilities or Second Lien Notes Liabilities in compliance with the Intercreditor Agreement and the Senior Secured Finance Documents; and
- (xvi) made from the proceeds of (I) the substantially concurrent an issue or sale of equity interests of Topco (or any Holding Company of Topco) or contributions to the equity capital of Topco (other than any disqualified equity interests (as defined in the Senior Facilities Agreement)) or (II) any substantially concurrent advance, loan, credit or other financial arrangement made to any member of the Group by an Investor,

and, in respect of the Second Lien Facilities Agreement, if no Second Lien Payment Stop Notice is outstanding and no Senior Payment Default has occurred and is continuing save for, in respect of Second Lien Lender Liabilities, payments set out under paragraphs (i)(C) (only in respect of a mandatory prepayment in relation to illegality), (vi), (viii), (xi) to (xiii), (xv) and (xvi) above (each an "Entrenched Second Lien Loan Permitted Payment") (provided that if a payment under paragraph (x) above is prohibited due to a Second Lien Payment Stop Notice being issued or a Senior Payment Default having occurred and continuing (1) no event of default (including any cross-default or similar provision under any other Debt Document) shall arise under the Debt Documents and (2) the Second Lien Creditors agree that no breach of any documents evidencing such debt buy-back transactions would arise thereunder) and, in respect of Second Lien Notes Liabilities, payments set out under paragraphs (v), (ix), (xi) (xv) or (xvi) above (each an "Entrenched Second Lien Notes Permitted Payment").

On or after the Senior Secured Discharge Date, the Debtors may make payments to the Second Lien Creditors in respect of the Second Lien Notes Liabilities in accordance with the Second Lien Notes Finance Documents and in respect of the Second Lien Loan Liabilities in accordance with the Second Lien Loan Finance Documents.

Payment Blockage Provisions

Until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent under each Senior Facilities Agreement and (to the extent otherwise prohibited under the Senior Secured Notes Indenture(s) pursuant to which any Senior Secured Notes are outstanding) the consent of the Senior Secured Notes Trustee(s), and subject to the provisions set out under the caption "*–Effect of Insolvency Event; Filing of Claims*" below, the Debtors shall not make (and Topco shall procure that no member of the Group shall), and no Second Lien Creditor may receive from any member of the Group, any Permitted Second Lien Payment (other than any Entrenched Second Lien Loan Permitted Payment or any Entrenched Second Lien Notes Permitted Payment) if:

- a Senior Secured Payment Default, as defined in the section under the caption "*–Permitted Senior Unsecured Payments*" below, is continuing; or
- a material event of default (other than a Senior Secured Payment Default) is continuing from the date which is one business day after the date on which the Senior Agent(s) or the Senior Secured Notes Trustee(s) (as the case may be) delivers a payment stop notice (a "Second Lien Payment Stop Notice") specifying the event or circumstance in relation to that Senior Secured Event of Default to Topco, the Security Agent and the Second Lien Creditor Representative(s) until the earliest of:
 - the date falling 150 days after delivery of that Second Lien Payment Stop Notice;
 - if a Second Lien Standstill Period (as defined below) is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that standstill period expires;
 - the date on which the relevant Senior Secured Event of Default has been remedied or waived in accordance with the Senior Secured Finance Documents;
 - the date on which the relevant Senior Agent or the Senior Secured Notes Trustee(s) (as applicable) delivers a notice to Topco, the Security Agent and the Senior Unsecured Representative(s) cancelling the Second Lien Payment Stop Notice;
 - the Senior Secured Discharge Date; and

- the date on which the Security Agent or a Second Lien Creditor Representative(s) takes Enforcement Action (as defined below) permitted under the Intercreditor Agreement against a Debtor.

Unless the Second Lien Creditor Representative(s) waives this requirement (i) no new Second Lien Payment Stop Notice may be delivered unless and until 365 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice, (ii) no Second Lien Payment Stop Notice may be delivered in reliance on a Senior Secured Event of Default more than 120 days after the date that the Senior Agent(s) and the Senior Secured Notes Trustee(s) (as applicable) received notice of that Senior Secured Event of Default.

The Senior Agent(s) and the Senior Secured Notes Trustee(s) may only serve one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agent(s) or the Senior Secured Notes Trustee(s) to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances. No Second Lien Payment Stop Notice may be served by a Senior Agent or Senior Secured Notes Trustee in respect of a Senior Secured Event of Default which had been notified to the Senior Agent(s) or the Senior Secured Notes Trustee(s) at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under the Second Lien Finance Documents as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Secured Payment Default shall not prevent (i) the occurrence of an event of default under the Second Lien Finance Documents as a consequence of that failure to make a payment in relation to the relevant Second Lien Finance Documents or (ii) the issue of an enforcement notice with respect to the relevant event of default on behalf of the Second Lien Creditors (a "Second Lien Enforcement Notice").

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Second Lien Finance Document by the operation of the provisions set out under each section above under the caption "*Restrictions Relating to the Second Lien Creditors and the Second Lien Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Second Lien Finance Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.

Cure of Payment Stop

If:

- (i) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Secured Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and
- (ii) the relevant Debtor then promptly pays to the Second Lien Creditors an amount equal to any payments which had accrued under the Second Lien Finance Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice or Senior Secured Payment Default, as the case may be,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors.

Restrictions on Second Lien Enforcement

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (i) no Second Lien Creditor shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of, any transaction security; and
- (ii) no Second Lien Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities,

except as permitted under the provisions set out under the caption “*Permitted Second Lien Enforcement*” below.

“Enforcement Action” is defined as:

- in relation to any liabilities:
 - the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Primary Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Debt Documents);
 - the making of any declaration that any liabilities are payable on demand;
 - the making of a demand in relation to a liability that is payable on demand;
 - the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
 - the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Facilities Agreement or any similar provisions in the Second Lien Finance Documents, Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents and excluding any mandatory offer arising as a result of a change of control, asset sale or escrow special mandatory redemption (howsoever described) as set out in the Senior Secured Notes Finance Documents, the Second Lien Notes Finance Documents or the Senior Unsecured Notes Finance Documents);
 - the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
 - as close-out netting by a Hedge Counterparty or by a hedging ancillary lender or by a cash management facility hedging creditor;
 - as payment netting by a Hedge Counterparty or by a hedging ancillary lender or by a cash management facility hedging creditor;
 - as inter-hedging agreement netting by a Hedge Counterparty;
 - as inter-hedging ancillary document netting by a hedging ancillary lender;
 - as inter-cash management facility hedging document netting by a cash management facility hedging creditor; and
 - which is otherwise permitted or not prohibited under the Senior Facilities Agreement, the Second Lien Facilities Agreement, the Senior Unsecured Facilities Agreement or otherwise not prohibited under the Senior Secured Notes Finance Documents, the Second Lien Notes Finance Documents or the Senior Unsecured Finance Documents, in each case, to the extent that the exercise of that right gives effect to a permitted payment under the Intercreditor Agreement; and
 - the suing for, or commencing or joining of any legal or arbitration proceedings against (i) any member of the Group which owes any liabilities which are subject to the Intercreditor Agreement or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities to recover any liabilities or (ii) any assets of the Senior Unsecured Security Providers which are subject to the transaction security;
 - the premature termination or close-out of any hedging transaction under any Hedging Agreement, save to the extent permitted by the Intercreditor Agreement;
 - the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the transaction security);

- the entering into of any composition, compromise, assignment or similar arrangement with any member of the Group or (to the extent the Senior Unsecured Shared Security is affected) Senior Unsecured Security Provider which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities of the Group owed to a creditor under the Debt Documents (other than any action permitted under the Intercreditor Agreement or any debt buybacks pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant Senior Secured Finance Documents, Second Lien Finance Documents or Senior Unsecured Finance Documents); or
- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator, judicial manager or similar officer) in relation to the winding up, dissolution, administration, judicial management or reorganization of (i) any member of the Group which owes any liabilities to a creditor under the Debt Documents, or has given any security, guarantee, indemnity or other assurance against loss in respect of such liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group or (ii) any Senior Unsecured Security Provider to the extent the Senior Unsecured Shared Security is affected, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling within bullet point above beginning 'the suing for' or the bullet point immediately above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods;
- a Primary Creditor bringing legal proceedings against any person solely for the purpose of (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party, (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages, and (C) requesting judicial interpretation of any provision of any Debt Document to which it is party with no claim for damages; or
- bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud or to restrain any actual or putative breach of the Senior Unsecured Finance Documents, the Second Lien Finance Documents or the Senior Secured Finance Documents or for specific performance with no claims for damages.

Permitted Second Lien Enforcement

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group (a) no Second Lien Creditor shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of, any transaction security; and (b) no Second Lien Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities, other than where:

- (i) at the same time as, or prior to, that action, Enforcement Action has been taken in respect of the Senior Secured Liabilities, in which case the Second Lien Creditors may take the same Enforcement Action as has been taken in respect of those Senior Secured Liabilities; or
- (ii)
 - (A) an event of default under the Second Lien Finance Documents (the "Relevant Second Lien Default") is continuing;
 - (B) the Senior Agent(s) and the Senior Secured Notes Trustee(s) have received a notice of the Relevant Second Lien Default (a "Second Lien Enforcement Notice") specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Creditor Representative(s);

- (C) a Second Lien Standstill Period (as defined below) has elapsed; and
- (D) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the "Second Lien Standstill Start Date") the relevant Second Lien Creditor Representative(s) serves a Second Lien Enforcement Notice on the Senior Agent(s) and the Senior Secured Notes Trustee(s) in respect of such Relevant Second Lien Default and ending on the earliest to occur of:

- (i) the date falling 150 days after the Second Lien Standstill Start Date (the "Second Lien Standstill Period");
- (ii) the date the Senior Secured Creditors take any Enforcement Action in relation to a particular Debtor, *provided, however*, that:
 - (A) if a Second Lien Standstill Period ends pursuant to this paragraph, the Second Lien Creditors may only take the same Enforcement Action in relation to the Debtor as the Enforcement Action taken by the Senior Secured Creditors against such Debtor and not against any other member of the Group; and
 - (B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;
- (iii) the date of an Insolvency Event in relation to a particular Debtor against whom Enforcement Action is to be taken (in which case the Second Lien Standstill Period shall end only in relation to that Debtor);
- (iv) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and
- (v) the date on which the Majority Senior Lenders and the Senior Secured Notes Trustee(s) give their prior consent to the termination of the relevant Second Lien Standstill Period.

Subsequent Second Lien Defaults

The Second Lien Creditors may take Enforcement Action under the provisions set out in caption "*–Permitted Second Lien Enforcement*" above in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Event of Default.

Enforcement on behalf of Second Lien Creditors

If the Security Agent has notified the Second Lien Representatives that it is enforcing security over shares of a Debtor, no Second Lien Creditor may take any Enforcement Action under the provisions set out in caption "*–Permitted Second Lien Enforcement*" above against that Debtor or any Restricted Subsidiary of that Debtor while the Security Agent is taking steps to enforce security created in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

If the Second Lien Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security in accordance with the provisions set out in caption "*–Permitted Second Lien Enforcement*" above, such Enforcement Action must require the realization of the relevant security by way of a sale or disposal conducted in accordance with the provisions set out under the caption "*–Second Lien and Senior Unsecured Creditor Protection*" below.

Restrictions Relating to the Senior Unsecured Creditors and the Senior Unsecured Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, except with the prior consent of the Senior Agent, (to the extent otherwise

prohibited under the Senior Secured Notes Indenture) the Senior Secured Notes Trustee(s) under such Senior Secured Notes Finance Document, the Second Lien Agent under the Second Lien Facilities Agreement and (to the extent otherwise prohibited under the indenture or other debt instrument pursuant to which the relevant Second Lien Notes are issued (a "**Second Lien Notes Indenture**") the Second Lien Notes Trustee(s) under such Second Lien Notes Finance Document, the Debtors shall not (and Topco shall ensure that no member of the Group or, in the case of (iii) below, any Senior Unsecured Security Provider, will):

- (i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Unsecured Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Unsecured Liabilities or Senior Unsecured Proceeds Loan Liabilities except as permitted by the provisions set out below under the captions "*Permitted Senior Unsecured Payments*," "*Permitted Senior Unsecured Enforcement*," "*Effect of Insolvency Event; Filing of Claims*" or "*New Debt Financing*";
- (ii) exercise any set-off against any Senior Unsecured Liabilities or Senior Unsecured Proceeds Loan Liabilities, except as permitted by the provisions set out in the caption "*Permitted Senior Unsecured Payments*" below, the provisions set out in the caption "*Restrictions on Senior Unsecured Enforcement*" below or the fifth paragraph under the caption "*Effect of Insolvency Event; Filing of Claims*" below; or
- (iii) create or permit to subsist any security over any assets of any member of the Group or Senior Unsecured Security Provider other than the Senior Unsecured Shared Security and/or the Senior Unsecured Only Security or give any guarantee from any member of the Group for, or in respect of, any Senior Unsecured Liabilities other than a guarantee issued by a member of the Group of the obligations of a Senior Unsecured Notes Issuer and/or the Senior Unsecured Borrower under the Senior Unsecured Finance Documents which contains provisions relating to payment blockage, subordination and turnover that substantially replicate the provisions of the Intercreditor Agreement or are made expressly subject to the Intercreditor Agreement (a "Senior Unsecured Guarantee").

Permitted Senior Unsecured Payments

Prior to the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, the Debtors may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Liabilities or any Senior Unsecured Borrower or Senior Unsecured Notes Issuer (each in respect of the Senior Unsecured Proceeds Liabilities only) then due in accordance with the Senior Unsecured Finance (such payments, collectively, "*Permitted Senior Unsecured Payments*");

- (i) if:
 - (A) the payment is of:
 - (I) any of the principal amount of the Senior Unsecured Liabilities which is either (1) permitted or not prohibited from being paid by the Senior Facilities Agreement and the Second Lien Facilities Agreement (and is not prohibited from being paid by any indenture in respect of any Senior Secured Notes or Second Lien Notes or (2) paid on or after a maturity date of the Senior Unsecured Liabilities (provided that such maturity date complies with the terms of the Senior Secured Finance Documents and the Second Lien Finance Documents); or
 - (II) any other amount which is not an amount of principal (including capitalized interest);
 - (III) an amount under a Senior Unsecured Proceeds Loan to fund an amount referred to in (I) or (II) above;
 - (B) no payment stop notice in respect of the Senior Unsecured Liabilities (a "Senior Unsecured Payment Stop Notice") is outstanding;
 - (C) no payment default under the Senior Facilities Agreement or the Senior Secured Notes (subject to a *de minimis* threshold) ("Senior Secured Payment Default") has occurred and is continuing;

- (D) no payment default under the Second Lien Facilities Agreement or the Second Lien Notes (subject to a *de minimis* threshold) ("Second Lien Payment Default") has occurred and is continuing;
- (ii) if the Majority Senior Creditors, the Majority Second Lien Creditors, the Senior Secured Notes Trustee(s) and the Second Lien Notes Trustee(s) give prior consent to that payment being made;
- (iii) if the payment is of certain amounts due to the Senior Unsecured Notes Trustee(s) for its own account (the "Senior Unsecured Notes Trustee Amounts") or in respect of the liabilities owed to the Senior Unsecured Agent under the Senior Unsecured Loan Finance Documents (the "Senior Unsecured Agent Liabilities");
- (iv) if the payment is of certain defined permitted administrative costs or notes security costs;
- (v) if the payment is of fees, commissions, taxes (including gross-up amounts), consent fees and any expenses incurred in respect of (or reasonably incidental to) of the Senior Unsecured Finance Documents; (including in relation to any reporting or listing requirements under the Senior Unsecured Notes Finance Documents);
- (vi) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Unsecured Notes or Senior Unsecured Facilities Agreement in compliance with the Intercreditor Agreement and the Senior Facilities Agreement; or
- (vii) if the payment is by the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower of any of its obligations under the Senior Unsecured Finance Documents from its own assets if such payment is not financed by a payment to the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower from a member of the Group that was prohibited by the Senior Secured Finance Documents or the Intercreditor Agreement at the time made.

On or after the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, the Debtors may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Liabilities and to the Senior Unsecured Borrower and the Senior Unsecured Notes Issuer in respect of the Senior Proceeds Loan Liabilities in accordance with the Senior Unsecured Finance Documents and the Senior Unsecured Proceeds Loan Agreement (as applicable).

Payment Blockage Provisions

Until the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, except with the prior consent of the Senior Agent under each Senior Facilities Agreement, (to the extent otherwise prohibited under the Senior Secured Notes Indenture) the consent of the Senior Secured Notes Trustee(s), the Second Lien Agent under each Second Lien Facilities Agreement and (to the extent otherwise prohibited under the Second Lien Notes Indenture), the consent of the Second Lien Notes Trustee(s) and subject to the provisions set out under the caption "*–Effect of Insolvency Event; Filing of Claims*" below, the Debtors shall not make (and Topco shall procure that no member of the Group shall), and no finance party under the Senior Unsecured Finance Documents (the "Senior Unsecured Finance Parties") (or in respect of a Senior Unsecured Proceeds Loan, any Senior Unsecured Borrower or Senior Unsecured Notes Issuer) may receive from a Debtor or any member of the Group, any Permitted Senior Unsecured Payment (other than Senior Unsecured Notes Trustee Amounts and any Senior Unsecured Agent Liabilities) if:

- a Senior Secured Payment Default, as defined in the section under the caption "*–Permitted Senior Unsecured Payments*" above, is continuing;
- a Second Lien Payment Default, as defined in the section under the caption "*–Permitted Senior Unsecured Payments*" above, is continuing; or
- either (A) an event of default under the Senior Facilities Agreement or the Senior Secured Notes Indenture (a "Senior Secured Event of Default") (other than a Senior Secured Payment Default) is continuing, from the date which is one business day after the date on which the Senior Agent(s) or the Senior Secured Notes Trustee(s) (as the case may be) delivers a payment stop notice; or (B) an event of default under the Second Lien Facilities Agreement or the Second Lien Notes Indenture (a "Second Lien Event of Default") (other than a Second Lien Payment Default) is continuing, from the date which is one business day after the date on which the Second Lien Agent(s) or the

Second Lien Notes Trustee(s) (as the case may be) delivers a payment stop notice specifying the event or circumstance in relation to that Senior Secured Event of Default or Second Lien Event of Default (as applicable) to Topco, the Security Agent and the Senior Unsecured Representative(s) until the earliest of:

- the date falling 179 days after delivery of that Senior Unsecured Payment Stop Notice;
- if a Senior Unsecured Standstill Period (as defined below) is in effect at any time after delivery of that Senior Unsecured Payment Stop Notice, the date on which that standstill period expires;
- the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived in accordance with the Senior Secured Finance Documents or with the Second Lien Finance Documents (as applicable);
- the date on which the Senior Agent or the Senior Secured Notes Trustee(s) (as applicable) or the relevant Second Lien Creditor Representative (as applicable) delivers a notice to Topco, the Security Agent and the Senior Unsecured Representative(s) cancelling the Senior Unsecured Payment Stop Notice;
- the later of the Senior Secured Discharge Date and the Second Lien Discharge Date; and
- the date on which the Security Agent or the Senior Unsecured Representative(s) takes Enforcement Action (as defined above) permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Unsecured Representative(s) waives this requirement (i) no new Senior Unsecured Payment Stop Notice may be delivered unless and until 365 days have elapsed since the delivery of the immediately prior Senior Unsecured Payment Stop Notice, (ii) no Senior Unsecured Payment Stop Notice may be delivered in reliance on a Senior Secured Event of Default more than 45 days after the date that the Senior Agent(s) and the Senior Secured Notes Trustee(s) (as applicable) received notice of that Senior Secured Event of Default and (iii) (ii) no Senior Unsecured Payment Stop Notice may be delivered in reliance on a Second Lien Event of Default more than 45 days after the date that the Second Lien Agent(s) and the Second Lien Notes Trustee(s) (as applicable) received notice of that Second Lien Event of Default.

The Senior Agent(s), the Senior Secured Notes Trustee(s) or the Second Lien Creditor Representative(s) may only serve one Senior Unsecured Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agent(s), the Senior Secured Notes Trustee(s) or the Second Lien Creditor Representative(s) to issue a Senior Unsecured Payment Stop Notice in respect of any other event or set of circumstances. No Senior Unsecured Payment Stop Notice may be served by a Senior Agent, Senior Secured Notes Trustee or a Second Lien Creditor Representative in respect of a Senior Secured Event of Default or Second Lien Event of Default which had been notified to the Senior Agent(s), the Senior Secured Notes Trustee(s) or Second Lien Creditor Representative(s) at the time at which an earlier Senior Unsecured Payment Stop Notice was issued.

Any failure to make a payment due under the Senior Unsecured Finance Documents or Senior Unsecured Proceeds Loan Agreement as a result of the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Senior Unsecured Finance Documents or Senior Unsecured Proceeds Loan Agreement; or (ii) the issue of an enforcement notice with respect to the relevant event of default on behalf of the Senior Unsecured Creditors (a "Senior Unsecured Enforcement Notice").

Notwithstanding anything else in the Intercreditor Agreement, no Senior Unsecured Payment Stop Notice will prevent the Senior Unsecured Notes Issuer or Senior Unsecured Borrower from making a payment from its own assets if that payment is of the Senior Unsecured Notes Issuer's obligations under the Senior Unsecured Notes or the Senior Unsecured Borrower's obligations under the Senior Unsecured Loan Finance Documents and such payment is not financed by a payment to the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower from a member of the Group that was prohibited by the Senior Secured Finance Documents or the Intercreditor Agreement at the time such payment was made.

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Unsecured Finance Document or Senior Unsecured Proceeds

Loan Agreement by the operation of the provisions set out under each section above under the caption “*Restrictions Relating to the Senior Unsecured Creditors and the Senior Unsecured Liabilities*” even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Senior Unsecured Finance Documents or a Senior Unsecured Proceeds Loan Agreement shall continue notwithstanding the issue of a Senior Unsecured Payment Stop Notice.

Cure of Payment Stop

If:

- (i) at any time following the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default or a Second Lien Payment Default, that Senior Unsecured Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and
- (ii) the relevant Debtor then promptly pays to the Senior Unsecured Creditors (or, in respect of the Senior Unsecured Proceeds Loan Liabilities only, the Senior Unsecured Borrower or Senior Unsecured Notes Issuer) an amount equal to any payments which had accrued under the Senior Unsecured Finance Documents or the Senior Unsecured Proceeds Loan Agreement and which would have been Permitted Senior Unsecured Payments but for that Senior Unsecured Payment Stop Notice, Senior Secured Payment Default or Second Lien Payment Default, as the case may be,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Unsecured Enforcement Notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Unsecured Creditors (or, in respect of the Senior Unsecured Proceeds Loan Liabilities only, the Senior Unsecured Borrower or Senior Unsecured Notes Issuer).

Restrictions on Senior Unsecured Enforcement

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (i) no Senior Unsecured Finance Party shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of, any transaction security (and such term does not include the Senior Unsecured Only Security);
- (ii) no Senior Unsecured Finance Party shall take or require the taking of any Enforcement Action in relation to the Senior Unsecured Guarantees; and
- (iii) no Senior Unsecured Finance Party, Senior Unsecured Borrower or Senior Unsecured Notes Issuer shall require the taking of any Enforcement Action in relation to the Senior Unsecured Proceeds Loan Liabilities,

except as permitted under the provisions set out under the caption “*Permitted Senior Unsecured Enforcement*” below.

Permitted Senior Unsecured Enforcement

The restrictions set out under the caption “*Restrictions on Senior Unsecured Enforcement*” above will not apply in respect of the Senior Unsecured Liabilities or the Senior Unsecured Proceeds Loan Liabilities or the transaction security documents (if any) which secure the Senior Unsecured Liabilities as permitted by paragraph (iii) set out under the caption “*Restriction on Payment and Dealings*” above, if:

- (i) an event of default under the Senior Unsecured Finance Documents (the “Relevant Senior Unsecured Default”) is continuing;
- (ii) the Senior Agent(s), the Senior Secured Notes Trustee(s) and the Second Lien Creditor Representative(s) have received a notice of the Relevant Senior Unsecured Default (a “Senior Unsecured Enforcement Notice”) specifying the event or circumstance in relation to the Relevant Senior Unsecured Default from the Senior Unsecured Representative(s);

- (iii) a Senior Unsecured Standstill Period (as defined below) has elapsed; and
- (iv) the Relevant Senior Unsecured Default is continuing at the end of the relevant Senior Unsecured Standstill Period.

Senior Unsecured Standstill Period

In relation to a Relevant Senior Unsecured Default, a Senior Unsecured Standstill Period shall mean the period beginning on the date (the "Senior Unsecured Standstill Start Date") the relevant Senior Unsecured Representative(s) serves a Senior Unsecured Enforcement Notice on the Senior Agent(s), the Senior Secured Notes Trustee(s), the Second Lien Agent(s) and the Second Lien Notes Trustee(s) in respect of such Relevant Senior Unsecured Default and ending on the earliest to occur of:

- (i) the date falling 179 days after the Senior Unsecured Standstill Start Date (the "Senior Unsecured Standstill Period");
- (ii) the date the Senior Secured Creditors or the Second Lien Creditors take any Enforcement Action in relation to a Debtor or (in respect of the Senior Unsecured Shared Security) Senior Unsecured Security Provider, *provided, however*, that:
 - (A) if a Senior Unsecured Standstill Period ends pursuant to this paragraph, the Senior Unsecured Finance Parties (or Senior Unsecured Borrower and/or Senior Unsecured Issuer in respect of the Senior Unsecured Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to the Debtor or (in respect of the Senior Unsecured Shared Security), Senior Unsecured Security Provider as the Enforcement Action taken by the Senior Secured Creditors against such Debtor or (in respect of the Senior Unsecured Shared Security) Senior Unsecured Security Provider and not against any other member of the Group; and
 - (B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;
- (iii) the date of an Insolvency Event in relation to a particular Debtor against whom Enforcement Action is to be taken (in which case the Senior Unsecured Standstill Period shall end only in relation to that Debtor);
- (iv) the expiry of any other Senior Unsecured Standstill Period outstanding at the date such first mentioned Senior Unsecured Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and
- (v) the date on which the Senior Secured Creditors and Second Lien Creditors consent to an enforcement in respect of the Relevant Senior Unsecured Default by the relevant Senior Unsecured Finance Parties.

Subsequent Senior Unsecured Defaults

The Senior Unsecured Finance Parties (or Senior Unsecured Borrower and/or Senior Unsecured Notes Issuer in respect of the Senior Unsecured Proceeds Loan Liabilities only) may take Enforcement Action under the provisions set out in caption "*Permitted Senior Unsecured Enforcement*" above in relation to a Relevant Senior Unsecured Default even if, at the end of any relevant Senior Unsecured Standstill Period or at any later time, a further Senior Unsecured Standstill Period has begun as a result of any other Senior Unsecured Default.

Enforcement on behalf of Senior Unsecured Finance Parties

If the Security Agent has notified the Senior Unsecured Representatives that it is enforcing security over shares of a Debtor, no Senior Unsecured Finance Party (or Senior Unsecured Borrower and/or Senior Unsecured Notes Issuer in respect of the Senior Unsecured Proceeds Loan Liabilities only) may take any Enforcement Action under the provisions set out in caption "*Permitted Senior Unsecured Enforcement*" above against that Debtor or any Restricted Subsidiary of that Debtor while the Security Agent is taking steps to enforce security created pursuant to any security document over shares of a Debtor in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

If the Senior Unsecured Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security (other than the Senior Unsecured Only Security) in accordance with the

preceding paragraph, such Enforcement Action must require the realization of the relevant security by way of a sale or disposal conducted in accordance with the provisions set out under the caption “–Second Lien and Senior Unsecured Debt Protection”.

Effect of Insolvency Event; Filing of Claims

An “Insolvency Event”, in relation to any member of the Group or Senior Unsecured Security Provider (other than pursuant to certain permitted transactions under and as defined in the Senior Secured Facilities Agreement) means (other than where matters are frivolous or vexatious and are discharged, stayed or dismissed within 20 Business Days of commencement, any matters in relation to a reorganization, merger or liquidation that is permitted under the Debt Documents or any liquidation of a member of the Group which is not required to be a Debtor):

- any member of the Group or Senior Unsecured Security Provider commences legal proceedings in relation to, or a court of competent jurisdiction makes an order for, the winding-up, bankruptcy, or dissolution (including a *redressement judiciaire*, *cession totale de l’entreprise*, *liquidation judiciaire* or a *procédure de sauvegarde* (including the *sauvegarde accélérée* and the *sauvegarde financière accélérée*) under “Livre VI” of the French Commercial Code but excluding any *mandat ad hoc* or *conciliation*) of any member of the Group or Senior Unsecured Security Provider;
- any general composition, compromise, assignment or arrangement is made with its creditors generally as a result of any financial difficulty on the part of that member of the Group or Senior Unsecured Security Provider (other than a composition, compromise, assignment or arrangement with the creditors in their capacities as such or any Investor, Senior Unsecured Security Provider, TopCo or any subsidiary of TopCo and excluding any *mandate ad hoc* or *conciliation*);
- other than on a solvent basis, the appointment of any liquidator, receiver, administrator, judicial manager, administrative receiver, compulsory manager or interim manager, an examiner or other similar officer (excluding any *conciliateur* or any *mandataire ad hoc*) is appointed in respect of that member of the Group or Senior Unsecured Security Provider or all or a material part of their respective assets; or
- any other insolvency proceeding or analogous procedure those described above is taken with respect to a member of the Group or Senior Unsecured Security Provider is taken in any jurisdiction

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event in relation to any member of the Group or Senior Unsecured Security Provider, any party entitled to receive a distribution out of the assets of that member of the Group or (in respect of the assets which are subject to the Senior Unsecured Shared Security only) Senior Unsecured Security Provider (in the case of a Primary Creditor (other than a Senior Unsecured Creditor) on or after the Term Lender Discharge Date, only to the extent that such amount constitutes Enforcement Proceeds) in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group or (in respect of a Senior Unsecured Security Provider) the assets which are subject to the Senior Unsecured Shared Security only to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption “–Application of Proceeds” below.

Generally, to the extent that any member of Group’s liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor regulated by the Intercreditor Agreement which benefited from that set-off shall (in the case of a Primary Creditor (other than a Senior Unsecured Creditor) on or after the Term Lender Discharge Date, only to the extent that such amount constitutes Enforcement Proceeds) pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption “–Application of Proceeds” below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities owed to them by a member of the Group, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

After the occurrence of an Insolvency Event in relation to any member of Group or, in respect of paragraph (i) below only, a Senior Unsecured Security Provider, each creditor regulated by the Intercreditor Agreement irrevocably authorizes the Security Agent, on its behalf, to:

- (i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group or (in respect of the taking of any steps to enforce or

require the enforcement of the Senior Unsecured Shared Security) a Senior Unsecured Security Provider;

- (ii) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities owed to the creditors under the Debt Documents;
- (iii) collect and receive all distributions on, or on account of, any or all of that member of Group's liabilities owed to the creditors under the Debt Documents; and
- (iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Group's liabilities owed to the creditors under the Debt Documents including voting any Senior Unsecured Liabilities in favor of a plan or reorganization approved by the Majority Senior Secured Creditors and/or the Majority Second Lien Creditors (as applicable).

Each creditor regulated by the Intercreditor Agreement will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters disclosed under this section "*Effect of Insolvency Event; Filing of Claims*" and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this section or if the Security Agent requests that a creditor regulated by the Intercreditor Agreement take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although no trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover by the Primary Creditors

Subject to certain customary exceptions, the Intercreditor Agreement provides that:

- (a) if (at any time prior to the Final Discharge Date) a Senior Unsecured Creditor or (at any time prior to the Term Lender Discharge Date only) any other Primary Creditor, receives or recovers from any member of the Group or Senior Unsecured Security Provider:
 - (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption "*Application of Proceeds*";
 - (ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;
 - (iii) any amount:
 - (A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents:
 - (I) after the occurrence of an acceleration event or the enforcement of any transaction security; or
 - (II) as a result of any other litigation or proceedings against a member of the Group or Senior Unsecured Security Provider (other than after the occurrence of an Insolvency Event in respect of that member of the Group or Senior Unsecured Security Provider); or
 - (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any transaction security,
 - (iv) the proceeds of any enforcement of any security or the proceeds of any Distressed Disposal (as described in the provisions below set out under the caption ("*Distressed Disposal*") except where received or recovered in accordance with the provisions set out below under the caption "*Application of Proceeds*"; or
 - (v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Group; or

other than, in each case, (1) any amount received or recovered in accordance with the provisions set out below the caption "*–Application of Proceeds*" or (2) in the case of a payment by a Senior Unsecured Notes Issuer or a Senior Unsecured Borrower to a Senior Unsecured Creditor, any amount received that is a Permitted Senior Unsecured Payment or (3) any amount received or recovered by a Senior Unsecured Creditor in respect of the Senior Unsecured Only Security;

- (b) if at any time on or after the Term Lender Discharge Date but prior to the Final Discharge Date, any Primary Creditor (other than a Senior Unsecured Creditor) receives or recovers any Enforcement Proceeds other than in accordance with the provisions set out below the caption "*–Application of Proceeds*",

that Primary Creditor regulated by the Intercreditor Agreement will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover by other Creditors

Subject to certain customary exceptions, the Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, any creditor regulated by the Intercreditor Agreement (other than a Primary Creditor) receives or recovers from any member of the Group or Senior Unsecured Security Provider:

- (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption "*–Application of Proceeds*";
- (ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;
- (iii) any amount:
 - (A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents:
 - (I) after the occurrence of an Acceleration Event or the enforcement of any transaction security; or
 - (II) as a result of any other litigation or proceedings against a member of the Group or Senior Unsecured Security Provider (other than after the occurrence of an Insolvency Event in respect of that member of the Group or Senior Unsecured Security Provider); or
 - (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an Acceleration Event or the enforcement of any transaction security,
- (iv) the proceeds of any enforcement of any security or the proceeds of any Distressed Disposal (as described in the provisions below set out under the caption "*–Distressed Disposal*") except where received or recovered in accordance with the provisions set out below under the caption "*–Application of Proceeds*"; or
- (v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "*–Application of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Group,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "*–Application of Proceeds*";

that creditor (other than a Primary Creditor) regulated by the Intercreditor Agreement will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security - Prior to the Term Lender Discharge Date

Enforcement Instructions

The Security Agent may refrain from enforcing the transaction security or taking other Enforcement Action unless instructed otherwise by (i) the Instructing Group or (ii) if required under the third paragraph of this section, the Second Lien Agent and on and from the first Second Lien Notes Issue Date, the Second Lien Notes Trustee(s) (the "Second Lien Creditor Representative(s)") (acting on the instructions of the Majority Second Lien Creditors) or (iii) if required under the fourth paragraph of this section, each relevant Senior Unsecured Agent and/or Senior Unsecured Notes Trustee (the "Senior Unsecured Representative(s)") (acting on the instructions of the Majority Senior Unsecured Creditors).

Subject to the transaction security having become enforceable in accordance with its terms (i) the Instructing Group or (ii) to the extent permitted to enforce or to require the enforcement of the transaction security prior to the Senior Secured Discharge Date in accordance with the provisions set out under the caption "*–Permitted Second Lien Enforcement*" above, the Second Lien Creditor Representative(s) (acting on the instructions of the Majority Second Lien Creditors) or (iii) to the extent permitted to enforce or require the enforcement of the Senior Unsecured Shared Security prior to the Senior Secured Discharge Date under the provisions set out under the caption "*–Permitted Senior Unsecured Enforcement*" above, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) may give, or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the transaction security or (as applicable) the Senior Unsecured Shared Security as they see fit.

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the transaction security or (ii) in the absence of instructions from the Instructing Group, and, in each case, if the Instructing Group has not required any Debtor or Senior Unsecured Security Provider to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the transaction security which the Second Lien Creditor Representative(s) (acting on the instructions of the Majority Second Lien Creditors) are then entitled to give to the Security Agent under the caption "*–Permitted Second Lien Enforcement*" above.

Prior to the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the transaction security or (ii) in the absence of instructions from the Instructing Group, and, in each case, (A) if the Instructing Group has not required any Debtor or Senior Unsecured Security Provider to make a Distressed Disposal (as defined below) and (B) the Second Lien Creditor Representative(s) have not exercised their right to give instructions to enforce the Transaction Security as described under caption "*–Permitted Second Lien Enforcement*" above, the Security Agent shall give effect to any instructions to enforce the Senior Unsecured Shared Security which the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) is then entitled to give to the Security Agent under the provisions under the caption "*–Permitted Senior Unsecured Enforcement*" above respectively.

Notwithstanding the preceding paragraphs, if at any time the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) (as applicable) is then entitled to give the Security Agent instructions to enforce the transaction security or the Senior Unsecured Shared Security (as applicable) pursuant to the preceding paragraphs and the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) (as applicable) either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the transaction security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) (as applicable) and the Security Agent shall act on the instructions received from the Instructing Group (and the Security Agent shall immediately cease any conflicting actions pursued or taken pursuant to the instructions of the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) (as applicable) without any liability to any Second Lien Creditors or Senior Unsecured Creditors (as applicable) for any loss, costs, damages and/or expenses that may arise as a result of it ceasing any such conflicting actions (whether or not the Security Agent is aware that such loss, costs, damages and/or expenses may arise)

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the transaction security documents except through the Security Agent. Any decision to enforce the transaction security will be taken by the Instructing Group in accordance with these provisions or the provisions set out under the caption "*Enforcement of Security—On or following the Term Lender Discharge Date*" below, as applicable, and shall be binding on all of the Secured Parties. Each Secured Party (other than the Security Agent) unconditionally and irrevocably agrees to grant a full power of attorney in favor of the Security Agent so that the Security Agent may enforce the transaction security pursuant to the Intercreditor Agreement or any other Debt Document.

Manner of Enforcement

If the transaction security is being enforced or other action as to enforcement is being taken as set forth above under the caption "*—Enforcement Instructions*," the Security Agent shall enforce the transaction security or take such other action as to enforcement in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor or Senior Unsecured Security Provider to be appointed by the Security Agent) as:

- the Instructing Group;
- prior to the Senior Secured Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "*—Enforcement Instructions*" received instructions given by the Majority Second Lien Creditors to enforce the transaction security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the transaction security, the Majority Second Lien Creditors; or
- prior to the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph under the caption "*—Enforcement Instructions*", received instructions given by the Majority Senior Unsecured Creditors to enforce the Senior Unsecured Shared Security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the transaction security, the Majority Senior Unsecured Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent may (but, for the avoidance of doubt will not be obliged to) act as it sees fit.

Exercise of Voting Rights

Following the occurrence of an Insolvency Event in respect of any Debtor, each creditor regulated by the Intercreditor Agreement (i) agrees (to the fullest extent permitted by law at the relevant time) with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent; and (ii) irrevocably authorizes the Security Agent, to the extent permitted by law and in relation to that creditor's claims, to exercise all powers of voting and representation in relation to that Debtor in respect of any such proceedings, and on that creditor's behalf and will provide (promptly and in any event within 3 Business Days following request by the Security Agent) all forms of proxy and representation and/or irrevocable powers of attorney (including by way of security) requested by the Security Agent for such purpose.

The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

Each creditor regulated by the Intercreditor Agreement shall, following the occurrence of an Insolvency Event in respect of any Debtor, promptly and in any event within 3 Business Days following request by the Security Agent, inform any relevant court, administrator, liquidator, or similar officer of the right of the Security Agent to act on behalf of that creditor as provided in the Intercreditor Agreement and to send a notice to such court, administrator, liquidator, or similar officer to confirm that the Security Agent is acting on behalf of the relevant creditor, and inviting them to send any letter or convening notice relating to the Insolvency Event of the creditor directly to the Security Agent (with a copy to such creditor). A copy of such notice shall be sent as soon as reasonably practicable to the Security Agent.

Each creditor regulated by the Intercreditor Agreement irrevocably undertakes not to challenge in any manner (i) the terms of this paragraph "*—Exercise of Voting Rights*", (ii) any vote or representation made or any position taken by the Security Agent or (iii) any restructuring plan or any judgment or court decision approving any restructuring plan, undertaken in accordance with the Intercreditor Agreement and in particular the provisions set out in this paragraph "*—Exercise of Voting Rights*".

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties, each Senior Unsecured Security Provider and the Debtors waives all rights it may otherwise have to require that the transaction security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the transaction security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties, the Senior Unsecured Security Providers and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the transaction security prior to the Senior Secured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Second Lien Creditor and/or Senior Unsecured Finance Party (as applicable) in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that transaction security shall (save as set out under the fourth paragraph of the caption "*–Distressed Disposals–*") be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors and Senior Unsecured Security Providers under general law.

Each of the Secured Parties, the Senior Unsecured Security Providers and the Debtors acknowledges that, in the event that the Security Agent enforces or is instructed to enforce the transaction security after the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that transaction security shall (save as set out under the fourth paragraph of the caption "*–Distressed Disposals–*") be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors and the Senior Unsecured Security Providers under general law.

Consultation Period

Subject to as set out below, before giving any instructions to the Security Agent to enforce the transaction security or to take any other Enforcement Action, the Agents of the creditors represented in the Instructing Group, or as applicable, of the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall consult with each other Agent and the Security Agent (each a "Creditor Representative") in good faith about the instructions to be given by the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors for a period of up to 10 days (or such shorter period as each Creditor Representative and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period, the Instructing Group, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors (as applicable) shall be entitled to give any instructions to the Security Agent to enforce the transaction security or take any other Enforcement Action.

No Creditor Representative shall be obliged to consult as set out above and the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors, shall be entitled to give any instructions to the Security Agent to enforce the transaction security or take any other Enforcement Action prior to the end of a Consultation Period if:

- (a) the transaction security has become enforceable as a result of an Insolvency Event; or
- (b) the Instructing Group or, as applicable the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors or any Creditor Representative of the creditors represented in the Instructing Group determines in good faith (and notifies each Creditor Representative and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the transaction security could reasonably be expected to have a material adverse effect on:
 - (i) the Security Agent's ability to enforce any of the transaction security; or
 - (ii) the realization proceeds of any enforcement of the transaction security.

Enforcement of Security—On or Following the Term Lender Discharge Date

Instructions to Enforce

If either the Majority Senior Creditors or the Majority Pari Passu Creditors wish to issue enforcement instructions, the Agents (and if applicable Hedge Counterparties) representing the Primary Creditors

comprising the Majority Senior Creditors or the Majority Pari Passu Creditors, as the case may be, shall deliver a copy of the proposed enforcement instructions (an "Initial Enforcement Notice") to the Security Agent and to each Agent and each Hedge Counterparty who did not deliver such Initial Enforcement Notice.

The Security Agent will act in accordance with enforcement instructions received from the Majority Pari Passu Creditors save that where:

- (i) the Majority Pari Passu Creditors have not either:
 - (A) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing), or
 - (B) appointed a financial adviser pursuant to the terms of the Intercreditor Agreement to assist them in making such a determination,within three months of the date of the Initial Enforcement Notice, or
- (ii) neither the Senior Lender Discharge Date, the Cash Management Discharge Date nor the Super Senior Hedging Discharge Date (the later of which, the "Super Senior Discharge Date") have occurred within six months of the date of the Initial Enforcement Notice,

then the Security Agent will act in accordance with the Enforcement Instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

If an Insolvency Event is continuing with respect to a Debtor, then the Security Agent will, to the extent the Majority Senior Creditors elect to provide such enforcement instructions, act in accordance with enforcement instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

If the Majority Pari Passu Creditors have not either:

- (i) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing); or
- (ii) appointed a financial adviser in accordance with the terms of the Intercreditor Agreement to assist them in making such a determination,

and the Majority Senior Creditors: (A) determine in good faith (and notify the other Agents, the Hedge Counterparties and the Security Agent) that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a Distressed Disposal (as defined below) or on the expected realized proceeds of enforcement and (B) deliver enforcement instructions which they reasonably believe to be consistent with the enforcement objectives under the Intercreditor Agreement and necessary or advisable in enhancing the prospects of achieving the enforcement objectives under the Intercreditor Agreement before the Security Agent has received any enforcement instructions from the Majority Pari Passu Creditor, then the Security Agent will act in accordance with the enforcement instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

"Super Senior Hedging Discharge Date" means first date on which all Super Senior Hedging Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and no Super Senior Hedge Counterparties (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

"Cash Management Discharge Date" means the first date on which all the Cash Management Liabilities have been fully and finally discharged, whether or not as the result of an enforcement and the Cash Management Providers (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

"Senior Lender Discharge Date" means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents.

Enforcement Instructions

The Security Agent may refrain from enforcing the transaction security or taking any other action as to enforcement unless instructed otherwise by the Instructing Group as set out under the provisions set out under

the above caption titled "*Instructions to Enforce—On or Following the Term Lender Discharge Date.*" Subject to the provisions set out under the above caption titled "*Instructions to Enforce—On or Following the Term Lender Discharge Date*", the Instructing Group may give or refrain from giving instructions to the Security Agent to take action as to enforcement in accordance with the enforcement principles set out under the Intercreditor Agreement as they see fit by way of issuance of enforcement instructions.

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the transaction security or (ii) in the absence of instructions from the Instructing Group, and, in each case, the Instructing Group has not required any Debtor or Senior Unsecured Security Provider to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the security which the Second Lien Creditor Representative(s) (acting on the instructions of the Majority Second Lien Creditors) are then entitled to give to the Security Agent under the provisions under the caption titled "*Permitted Second Lien Enforcement*" above.

Prior to the later of the Senior Secured Discharge Date or the Second Lien Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the transaction security or (ii) in the absence of instructions from the Instructing Group, and in each case, (A) the Instructing Group has not and in the case of (i), has confirmed in its instructions to the Security Agent that it has not, required any Debtor or Senior Unsecured Security Provider to make a Distressed Disposal (as defined below) and (B) the Second Lien Creditor Representative(s) have not exercised their right to give instructions to enforce the Transaction Security as described under caption "*Permitted Second Lien Enforcement*" above, the Security Agent shall effect to any instructions to enforce the transaction security which the Senior Unsecured Creditors are then entitled to give to the Security Agent under the provisions under the caption titled "*Permitted Senior Unsecured Enforcement*" above.

Notwithstanding the immediately preceding paragraphs, if at any time the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) as applicable are then entitled to give the Security Agent instructions to enforce the transaction security pursuant to the applicable preceding paragraph above or the Senior Unsecured Shared Security pursuant to the immediately preceding paragraph (as applicable) and the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) (as applicable) either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the transaction security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Second Lien Creditor Representative(s) under the provisions set out under the caption titled "*Permitted Second Lien Enforcement*" above or the Senior Unsecured Representative(s) under the provisions set out under the caption titled "*Permitted Senior Unsecured Enforcement*" above (as applicable) and the Security Agent shall act on such instructions received from the Instructing Group (and the Security Agent shall immediately cease any conflicting actions pursued or taken pursuant to the instructions of the Second Lien Creditor Representative(s) or the Senior Unsecured Representative(s) (as applicable) without any liability to any Second Lien Creditors or Senior Unsecured Creditors (as applicable) for any loss, costs, damages and/or expenses that may arise of a result of it ceasing any such conflicting actions (whether or not the Security Agent is aware that such loss, costs, damages and/or expenses may arise)).

No secured party shall have any independent power to enforce, or to have recourse to any of the transaction security or to exercise any right, power, authority or discretion arising under the transaction security documents except through the Security Agent. Any decision to enforce the transaction security will be taken by the Instructing Group in accordance with these provisions or the provisions set out under the caption "*Enforcement of Security—Prior to the Term Lender Discharge Date*" above, as applicable, and shall be binding on all of the Secured Parties. Each Secured Party (other than the Security Agent) unconditionally and irrevocably agrees to grant a full power of attorney in favor of the Security Agent so that the Security Agent may enforce the transaction security pursuant to the Intercreditor Agreement or any other Debt Document.

Manner of Enforcement

If the transaction security is being enforced as set forth above under the caption titled "*Enforcement Instructions—On or Following the Term Lender Discharge Date,*" the Security Agent shall enforce the transaction security in such manner (including, without limitation, the selection of any administrator of any Debtor or Senior Unsecured Security Provider to be appointed by the Security Agent) as:

- the Instructing Group; or
- prior to the Senior Secured Discharge Date, (i) the Security Agent has, pursuant to the second paragraph of the preceding section, received instructions given by the Majority Second Lien Creditors to enforce the transaction security; and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the transaction security, the Majority Second Lien Creditors; or

- prior to the later of the Senior Secured Discharge Date and the Second Lien Discharge Date if (i) the Security Agent has, pursuant to the third paragraph of the preceding section, received instructions given by the Majority Senior Unsecured Creditors to enforce the transaction security which benefits the Senior Unsecured Creditors and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the transaction security, the Majority Senior Unsecured Creditors,

shall instruct (in a manner consistent with the enforcement principles under the Intercreditor Agreement) or, in the absence of any such instructions, as the Security Agent may (but will not be obliged to) consider in its discretion to be appropriate and consistent with the enforcement principles under the Intercreditor Agreement.

Exercise of Voting Rights

Following the occurrence of an Insolvency Event in respect of any Debtor, each creditor regulated by the Intercreditor Agreement (i) agrees (to the fullest extent permitted by law at the relevant time) with the Security Agent that it will cast its vote in any proposal put to a vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent; and (ii) irrevocably authorizes the Security Agent, to the extent permitted by law and in relation to that creditor's claims, to exercise all powers of voting and representation in relation to that Debtor in respect of any such proceedings, and on that creditor's behalf and will provide (promptly and in any event within 3 Business Days following request by the Security Agent) all forms of proxy and representation and/or irrevocable powers of attorney (including by way of security) requested by the Security Agent for such purpose

The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

Each creditor regulated by the Intercreditor Agreement shall, following the occurrence of an Insolvency Event in respect of any Debtor, promptly and in any event within 3 Business Days following request by the Security Agent, inform any relevant court, administrator, liquidator, or similar officer of the right of the Security Agent to act on behalf of that creditor as provided in the Intercreditor Agreement and to send a notice to such court, administrator, liquidator, or similar officer to confirm that the Security Agent is acting on behalf of the relevant creditor, and inviting them to send any letter or convening notice relating to the Insolvency Event of the creditor directly to the Security Agent (with a copy to such creditor). A copy of such notice shall be sent as soon as reasonably practicable to the Security Agent.

Each creditor regulated by the Intercreditor Agreement irrevocably undertakes not to challenge in any manner (i) the terms of this paragraph "*Exercise of Voting Rights*", (ii) any vote or representation made or any position taken by the Security Agent or (iii) any restructuring plan or any judgment or court decision approving any restructuring plan, undertaken in accordance with the Intercreditor Agreement and in particular the provisions set out in this paragraph "*Exercise of Voting Rights*".

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties, the Senior Unsecured Security Providers and the Debtors waives all rights it may otherwise have to require that the transaction security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the transaction security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties, the Senior Unsecured Security Providers and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the transaction security prior to the Senior Secured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Second Lien Creditor or Senior Unsecured Finance Party (as applicable) in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall (save as set out under the fourth paragraph of the caption "*Distressed Disposals*") be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors or the Senior Unsecured Security Providers under general law.

Each of the Secured Parties, the Senior Unsecured Security Providers and the Debtors acknowledges that, in the event that the Security Agent enforces or is instructed to enforce the transaction security after the

Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that transaction security shall (save as set out under the fourth paragraph of the caption "*–Distressed Disposals*") be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors or Senior Unsecured Security Providers under general law.

Alternative Enforcement Action

After the Security Agent has commenced Enforcement, it shall not accept any subsequent instructions as to enforcement (save for any subsequent instructions in accordance with the final paragraph (prior to the defined terms) set out under the caption "*–Instructions to Enforce*" above) from anyone other than the Instructing Group that instructed it to commence such enforcement of the transaction security regarding any other enforcement of the transaction security over or relating to shares or assets directly or indirectly the subject of the enforcement of the transaction security which has been commenced.

Enforcement of Senior Unsecured Only Security

The Senior Unsecured Creditors may not give instructions to the Security Agent as to the enforcement of the Senior Unsecured Only Security other than in accordance with the Intercreditor Agreement. The Security Agent may refrain from enforcing the Senior Unsecured Only Security or taking any other Enforcement Action in respect of the Senior Unsecured Liabilities unless instructed otherwise by the Majority Senior Unsecured Creditors.

Subject to the Senior Unsecured Only Security having become enforceable, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Senior Unsecured Only Security as it sees fit.

No Senior Unsecured Finance Party shall have any independent power to enforce, or to have recourse to, any Senior Unsecured Only Security or to exercise any rights or powers arising under the documents relating to the Senior Unsecured Only Security except through the Security Agent. Any decision to enforce the Senior Unsecured Only Security will be taken by the Majority Senior Unsecured Creditors in accordance with these provisions and will be binding on all of the Senior Unsecured Creditors.

If the Senior Unsecured Only Security is being enforced or other action as to enforcement is being taken pursuant to the terms of the Intercreditor Agreement, the Security Agent will enforce the Senior Unsecured Only Security or take such other action as to enforcement in respect thereof in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Senior Unsecured Security Provider to be appointed by the Security Agent) as the Majority Senior Unsecured Creditors instruct or, in the absence of such instructions, the Security Agent may (but will not be obliged to) act as it sees fit.

Each of the Senior Creditors, Senior Unsecured Security Providers and the Debtors acknowledges that, in the event that the Security Agent enforces or is instructed to enforce the Senior Unsecured Only Security prior to the Senior Unsecured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that Senior Unsecured Only Security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors or the Senior Unsecured Security Providers under general law.

To the extent permitted under applicable law and subject to the terms of the Intercreditor Agreement, each of the Senior Creditors, the Senior Unsecured Security Providers and the Debtors waives all rights it may otherwise have to require that the Senior Unsecured Only Security be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Senior Unsecured Only Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Senior Lender Liabilities which benefit from Senior Unsecured Only Security is so applied.

After the Security Agent has commenced an enforcement of the Senior Unsecured Only Security it will not accept any subsequent instructions as to enforcement thereof from anyone other than the Majority Senior Unsecured Creditors that instructed it in respect of such enforcement regarding any other enforcement over or relating to the Senior Unsecured Only Security the subject of the enforcement which has been commenced. This will not restrict the right of any other Senior Unsecured Creditors to instruct the Security Agent as to

enforcement of the Senior Unsecured Only Security that includes any shares or assets which are not directly or indirectly the subject of a prior instruction as to enforcement.

Security Held by Other Creditors

If any Senior Unsecured Only Security is held by a creditor other than the Security Agent, then such creditors may only enforce that Senior Unsecured Only Security in accordance with instructions given by the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) in accordance with the Intercreditor Agreement.

Proceeds of Disposals

Non-Distressed Disposals

In this section, "Disposal Proceeds" means the proceeds of a disposal which constitutes a Non-Distressed Transaction (as defined below).

If, in respect of (a) a disposal of an asset by a Debtor, (b) a disposal of an asset which is subject to the transaction security, (c) a disposal of an asset which is subject to the Senior Unsecured Only Security, (d) any merger, liquidation, consolidation, reorganization or transaction whereby a release of an asset is required to effect such merger, liquidation, consolidation, reorganization or transaction, (e) the resignation of a person as a borrower and/or guarantor in respect of any Debt Document or (f) the entry by a Debtor into any recourse or non-recourse sales or disposals pursuant to factoring, receivables financing or similar arrangements not prohibited by the terms of any Debt Documents whereby a release of receivables the subject of such transaction and/or the bank account into which such receivables are payable is required or desirable, which, in each case, is not prohibited by the Senior Finance Documents, the Senior Secured Notes Finance Documents, the Second Lien Finance Documents or the Senior Unsecured Finance Documents (each a "Permitted Transaction") and Topco (or Holdco in respect of any Senior Unsecured Security Provider) certifies for the benefit of the Security Agent that:

- (i) (prior to the Senior Lender Discharge Date) that Permitted Transaction is permitted under (or is not prohibited by) the Senior Facilities Agreement;
- (ii) on and from the first date of incurrence of Senior Secured Notes Liabilities but (prior to the Senior Secured Notes Liabilities having been discharged) that Permitted Transaction is permitted under (or is not prohibited by) the Senior Secured Notes Finance Documents or the Senior Secured Notes Trustee(s) authorizes the release in accordance with the terms of the Senior Secured Notes Finance Documents;
- (iii) (prior to Second Lien Lender Discharge Date) that Permitted Transaction is permitted under (or not prohibited by) the Second Lien Facilities Agreement;
- (iv) (on and from the first date of incurrence of Second Lien Notes Liabilities but prior to the Second Lien Notes Discharge Date) that Permitted Transaction is permitted under (or is not prohibited by) the Second Lien Notes Finance Documents or the relevant Second Lien Notes Trustee(s) authorizes the release in accordance with the terms of the Second Lien Notes Finance Documents;
- (v) (on and from the first date of incurrence of Senior Unsecured Liabilities but prior to the Senior Unsecured Discharge Date) that Permitted Transaction is permitted under (or is not prohibited by) the Senior Unsecured Finance Documents or the relevant Senior Unsecured Representative(s) authorizes the release in accordance with the terms of the Senior Unsecured Finance Documents; and
- (vi) that disposal is not a Distressed Disposal (as defined below),

(a "Non-Distressed Transaction") the Security Agent is irrevocably authorized and empowered (at the reasonable cost of the relevant Debtor, Senior Unsecured Security Provider or Topco and without any consent, sanction, authority or further confirmation from any creditor, Senior Unsecured Security Provider or Debtor) but subject to the following paragraph:

- to release the transaction security and/or the Senior Unsecured Only Security and any other claim (relating to a Debt Document) over that asset;

- where that asset consists of shares in the capital of a Debtor, to release the transaction security and any other claim, including without limitation any guarantee liabilities or other liabilities (relating to a Debt Document) over that Debtor or its assets and (if any) the Restricted Subsidiaries of that Debtor and their respective assets; and
- to execute and deliver or enter into any release of the transaction security and/or Senior Unsecured Only Security or any claim described in the preceding two bullets and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may be reasonably requested by Topco (or Holdco in respect of any Senior Unsecured Security Provider).

If that Non-Distressed Transaction is not implemented each release of security or any claim described in the paragraph above shall have no effect and the transaction security, Senior Unsecured Only Security or claim subject to that release shall continue in such force and effect as if that release had not been effected.

If any Disposal Proceeds are required to be applied in mandatory prepayment of the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Second Lien Liabilities and/or the Senior Unsecured Liabilities (as applicable) then, subject to the terms of the Intercreditor Agreement, the Disposal Proceeds shall be applied in or towards payment of (or to the extent applicable under the relevant Debt Document the making of an offer of payment):

- (i) *first*, the Senior Lender Liabilities in accordance with the terms of any Senior Facilities Agreement (without any obligation to apply those amounts towards the Senior Secured Notes Liabilities, Second Lien Lender Liabilities, Second Lien Notes Liabilities, Senior Unsecured Loan Liabilities or the Senior Unsecured Notes Liabilities); and
- (ii) *second*, the Senior Secured Notes Liabilities in accordance with the terms of indenture relating thereto (without any obligation to pay those amounts towards the Second Lien Lender Liabilities, Second Lien Notes Liabilities, Senior Unsecured Loan Liabilities or the Senior Unsecured Notes Liabilities);
- (iii) *third*, the Second Lien Lender Liabilities in accordance with the terms of any Second Lien Facilities Agreement (without any obligation to pay those amounts towards the Second Lien Notes Liabilities, Senior Unsecured Notes Liabilities or the Senior Unsecured Notes Liabilities);
- (iv) *fourth*, the Second Lien Notes Liabilities in accordance with the terms of the indenture relating thereto (without any obligation to pay those amounts towards the Senior Unsecured Loan Liabilities or the Senior Unsecured Notes Liabilities); and
- (v) *then*, after the discharge in full of the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Second Lien Lender Liabilities and the Second Lien Notes Liabilities, the Senior Unsecured Liabilities in accordance with the terms of the Senior Unsecured Finance Documents,

and the consent of any other party shall not be required for that application and this provision of the Intercreditor shall override any requirement for application of such proceeds in any Debt Document and no default or event of default shall be deemed to occur to the extent arising by Topco, any Senior Unsecured Borrower, any Senior Unsecured Notes Issuer and/or any Debtor's compliance with this provision.

Distressed Disposals

A "Distressed Disposal" is a disposal of an asset or shares owned by a member of the Group or (to the extent subject to the Senior Unsecured Shared Security) Senior Unsecured Security Provider which is (a) being effected at the request of an Instructing Group in circumstances where the transaction security has become enforceable, (b) being effected by enforcement of the transaction security, (c) being effected, subsequent to an Acceleration Event or the enforcement of any transaction security, by a Debtor or Senior Unsecured Security Provider to a person which is not a member of the Group (if the Term Lender Discharge Date has not occurred) or (d) (if the Term Lender Discharge Date has occurred) in respect of an asset or shares which is subject to transaction security and which is being effected, subsequent to an Acceleration Event or the enforcement of any transaction security, by a Debtor or Senior Unsecured Security Provider to a person which is not a member of the Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or Topco and without any consent, sanction, authority or further confirmation

from any creditor under the Intercreditor Agreement or other Secured Party, Senior Unsecured Security Provider or Debtor):

- (i) to release the transaction security and/or any other claim over that asset which is subject to a Distressed Disposal and execute and deliver or enter into any release of that transaction security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- (ii) if that asset which is disposed of consists of shares in the capital of a Debtor to release:
 - (A) that Debtor and any Restricted Subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;
 - (B) any transaction security granted by that Debtor or any Restricted Subsidiary of that Debtor over any of its assets; and
 - (C) any other claim of an Intra-Group Lender, an Investor, or another Debtor over that Debtor's assets or over the assets of any Restricted Subsidiary of that Debtor,on behalf of the relevant creditors regulated by the Intercreditor Agreement, the Senior Agent(s), the Arrangers, the Debtors, the Senior Unsecured Security Providers, the Senior Secured Notes Trustee(s), the Second Lien Creditor Representative(s) and the Senior Unsecured Representative(s);
- (iii) 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, its guarantees liabilities and its other liabilities;
 - (B) any transaction security granted by that holding company or any subsidiary of that holding company over any of its assets; and
 - (C) any other claim of an Intra-Group Lender, an Investor or another Debtor over the assets of that holding company and any subsidiary of that holding company,on behalf of the relevant creditors regulated by the Intercreditor Agreement, the Senior Agent(s), Arrangers, Debtors, the Senior Secured Notes Trustee(s), Second Lien Creditor Representative(s) and the Senior Unsecured Representative(s);
- (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent decides to dispose of all or any part of the liabilities owed to any creditor under the Debt Documents (the "Liabilities") or the liabilities owed to any other Debtor (the "Debtor Liabilities") by that Debtor or holding company or any Restricted Subsidiary of that Debtor or subsidiary of that holding company:
 - (A) (if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities (the "Transferee") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities, *provided* that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and
 - (B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the Liabilities owed to the Primary Creditors and all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case, the relevant creditors and Debtors;
- (v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance

with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any Restricted Subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or the Debtor Liabilities, to execute and deliver or enter into any agreement to:

- (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and
- (B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "*Application of Proceeds*" as if those proceeds were the proceeds of an enforcement of the transaction security and, to the extent that any disposal of Liabilities or Debtor Liabilities has occurred, as if that disposal of Liabilities or Debtor Liabilities had not occurred.

Where borrowing liabilities in respect of any Senior Secured Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities transferred to Topco or Holdco, in which case the Security Agent is irrevocably authorized and empowered (at the cost of the relevant Debtor or Topco 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.

Second Lien and Senior Unsecured Debt Protection

In the case of a Distressed Disposal (or a disposal of certain Liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

If before the Second Lien Discharge Date or Senior Unsecured Discharge Date, unless the Agents of the Second Lien Creditors and/or Senior Unsecured Creditors (as applicable) otherwise agree, a Distressed Disposal or disposal of liabilities which results in the release of any borrowing liabilities or guarantee liabilities in respect of any Second Lien Liabilities or Senior Unsecured Liabilities or the release of any transaction security securing the Second Lien Liabilities or the Senior Unsecured Liabilities may, in each case, only be made if:

- (i)
 - (A) the consideration in respect of such Distressed Disposal or disposal of liabilities is paid in cash (or substantially all in cash); or
 - (B) the consideration in respect of such Distressed Disposal or disposal of liabilities does not comprise cash (or substantially all cash) in circumstances where the Security Agent (acting reasonably) determines that the cash consideration payable under the highest of the other bona fide and fully committed offers made in relation to that Distressed Disposal or disposal of liabilities is less than the outstanding Senior Secured Liabilities, in which case the non-cash consideration can, without limitation, take the form of the Senior Secured Creditors (or any of them acting alone or together) bidding by any appropriate mechanic all or part of their Senior Secured Liabilities (such that the Senior Secured Liabilities would, on completion, be discharged to the extent of an amount equal to the amount of the offer made by the relevant Senior Secured Creditors),

and the proceeds of such Distressed Disposal or disposal of liabilities are applied in accordance with the section headed "*Application of Proceeds*" below;

(ii)

(A)

(I) the sale, disposal or transfer is made pursuant to a public auction or a competitive bid process (which auction or process, without prejudice to the requirements of sub-paragraph (i) above, may be (but does not have to be) completed by a process or proceedings approved by or supervised by, or on behalf of, any court of law) or any other process agreed to by the Agent(s) of the Second Lien Creditors and (to the extent that guarantee liabilities owed to the Senior Unsecured Creditors have been, or are proposed to be, released by the Security Agent in connection with the relevant Distressed Disposal or disposal of liabilities) the Senior Unsecured Creditors in each case in which:

(aa) the Second Lien Creditors and the relevant Senior Unsecured Creditors (on the basis of equal information and access rights as other bidders and financiers in the process); and

(bb) if such auction or process attracts, or could reasonably be expected to result in attracting, no bidders or a bona fide and fully committed cash bid the cash consideration in relation to which is determined by the Security Agent (acting reasonably) to be less than the outstanding amount of the Senior Secured Liabilities, the Senior Secured Creditors (or any of them acting alone or together),

are (subject to applicable law) entitled to participate as bidders or financiers to the potential purchaser(s) or, following the sale, disposal or transfer, the Group; and

(II) the Security Agent (or the relevant member of the Group or Senior Unsecured Security Provider) shall have, in respect of such auction or process, consulted with an internationally recognized investment bank or 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), and 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, unless the Security Agent (acting in good faith) confirms that it has reasonable grounds to believe that implementation of all or part of such recommended procedures is not in the best interests of the Senior Secured Creditors; or

(B) in circumstances where the Security Agent has received an opinion (including an enterprise valuation of the Group and which can be relied upon by the Security Agent and disclosed to the Agents of the Senior Secured Creditors, the Second Lien Creditors and the Senior Unsecured Creditors (but which may be given on the basis that the liability of the relevant bank or firm in giving the opinion is limited to an amount of at least the amount of its fees in respect of such engagement)) from:

(I) an internationally recognized investment bank or internationally recognized accounting firms; or

(II) if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest), another third party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets but which is not a Senior Secured Creditor or affiliated thereto,

(in each case not being the firm appointed as the relevant Debtor's administrator or other relevant officer holder) selected by the Security Agent confirming that the sale,

disposal or transfer price is fair from a financial point of view taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price; and

- (iii) at the time of completion of the sale, disposal or transfer: (aa) the borrowing liabilities, guarantee liabilities and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Senior Secured Creditors, the Second Lien Creditors and the Senior Unsecured Creditors by the Debtors being disposed of (each a "Relevant Claim") are (to the same extent) released and discharged (and are not assumed by the purchaser and/or its Affiliates); and (bb) all the transaction security granted in favor of all the Secured Parties over the assets sold or disposed of is released and discharged unless:
- (A) the Agents of the Senior Secured Creditors, acting reasonably and in good faith, determine that a sale, disposal or transfer of a Relevant Claim will facilitate a recovery by the Senior Secured Creditors that is greater than the one they would achieve if such Relevant Claim was released or discharged but is nevertheless less than the outstanding Senior Secured Liabilities, which shall be deemed to be the case if there are no bidders or if the Agents of the Senior Secured Creditors (acting reasonably) determines that there are no bona fide and fully committed cash bids in excess of the amount of the Senior Secured Liabilities; and
- (B) the Agents of the Senior Secured Creditors give notice of their determination to the Security Agent,

in which case the Security Agent shall be entitled immediately to sell and transfer the Relevant Claims to such purchaser (or an Affiliate of such purchaser) (or, if sub-paragraph(ii)(A)(I)(aa) above applies and a Senior Secured Creditor is the successful bidder (or financier) or beneficiary of the relevant disposal as contemplated in paragraph(ii) above, such Senior Secured Creditor shall be able to retain its Relevant Claim or any part thereof (which shall be valued at par)).

Restriction on enforcement by Second Lien Creditor and Senior Unsecured Creditors

If prior to the Senior Secured Discharge Date, a Distressed Disposal or a disposal of rights in respect of Liabilities or Debtor Liabilities is being as set out under the caption "*–Distressed Disposals*" above, is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions, in accordance with the provisions set out above under "*Enforcement instructions*" and "*–Manner of Enforcement*" above on which the Security Agent is acting:

- the Security Agent is not authorized and empowered to release any Debtor, Restricted Subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor unless those borrowing liabilities, guarantee liabilities or other liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, an ancillary facility or a Cash Management Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release; and
- no Distressed Disposal or disposal of rights in respect of Liabilities or Debtor Liabilities pursuant to the provisions set out in "*–Distressed Disposals*" above may be made for non-cash consideration unless the prior consent of the Instructing Group is obtained.

If prior to the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, a Distressed Disposal or a disposal of rights in respect of Liabilities or Debtor Liabilities is being as set out under the caption "*–Distressed Disposals*" above, is being effected at a time when the Majority Senior Unsecured Creditors are entitled to give and have given instructions, in accordance with the provisions set out above under "*Enforcement instructions*" and "*–Manner of Enforcement*" above on which the Security Agent is acting:

- the Security Agent is not authorized and empowered to release any Debtor, Restricted Subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor or Second Lien Creditor unless those borrowing liabilities, guarantee liabilities or other liabilities and any other Senior Secured Liabilities and Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, an ancillary facility or a Cash Management Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release; and

- no Distressed Disposal or disposal of rights in respect of Liabilities or Debtor Liabilities pursuant to the provisions set out in “*Distressed Disposals*” above may be made for non-cash consideration unless the prior consent of the Instructing Group is obtained.

For the purposes of clauses (ii), (iii), (iv), (v) of the second paragraph of this section, the Security Agent shall act:

- if the relevant Distressed Disposal is being effected by way of enforcement of the transaction security in accordance with the provisions set out under the caption “*Manner of Enforcement*” above; and
- in any other case, (a) on the instructions of the Instructing Group or (b) in the absence of any such instructions, as the Security Agent sees fit.

Application of Proceeds

The Intercreditor Agreement provides that (subject to limited exceptions) all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (excluding any Senior Unsecured Only Security) or in connection with the realization or enforcement of all or any part of the transaction security (for the purposes of this section, the “Group Recoveries”) shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this section), in the following order of priority:

- (i) in discharging any sums owing to the Senior Agent(s) (in respect of the Senior Agent Liabilities), any Second Lien Agent(s) (in respect of the Second Lien Agent Liabilities) any Senior Unsecured Agent(s) (in respect of the Senior Unsecured Agent Liabilities), the Security Agent, any receiver or any delegate and certain amounts due to the Senior Secured Notes Trustee(s), Second Lien Notes Trustee(s) or the Senior Unsecured Notes Trustee(s) on a *pari passu* basis;
- (ii) in payment of all costs and expenses incurred by any Agent or Primary Creditor in connection with any realization or enforcement of the transaction security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- (iii) if the Term Lender Discharge Date has occurred, in payment to:
 - (A) each Senior Agent on behalf of the Senior Arrangers and the Senior Lenders (in this case, the Lenders, issuing banks and ancillary Lenders under revolving credit facilities which are permitted to have “super senior” status under the Senior Secured Notes Indenture);
 - (B) the Cash Management Providers; and
 - (C) the Super Senior Hedge Counterparties,

for application towards the discharge of:

 - (I) the liabilities owed to the arrangers under any Senior Facilities Agreement and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);
 - (II) the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each Cash Management Provider); and
 - (III) 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 and ranking *pari passu* between paragraphs (I), (II) and (III) above;
- (iv) if the Term Lender Discharge Date has occurred and the distributions have been made under paragraph (iii) above, in payment to:
 - (A) each Senior Secured Notes Trustee(s) on its own behalf and on behalf of the Senior Secured Noteholders; and
 - (B) the *Pari Passu* Hedge Counterparties,

for application towards the discharge of:

- (I) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents); and
 - (II) the Pari Passu Hedging Liabilities (on a pro rata basis between the Pari Passu Hedging Liabilities of each Pari Passu Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraphs (I) and (II) above;
- (v) if the Term Lender Discharge Date has not occurred, in payment to the Senior Agent on behalf of any lender of Super Senior State Supported Debt (as described under *Senior Secured Facilities Agreement—Overview and Structure* above) (each a “Super Senior Lender”) for application towards the discharge of any liabilities owed in respect of such Super Senior State Supported Debt (the “Super Senior Lender Liabilities”) (on a *pro rata* basis between the Super Senior Lender Liabilities of each Super Senior Lender in accordance with the terms of the Senior Finance Documents)
- (vi) if the Term Lender Discharge Date has not occurred and the distributions under (v) above have been made, in payment to:
 - (A) each Senior Agent on behalf of the Senior Arrangers and the Senior Lenders;
 - (B) the Senior Secured Notes Trustee(s) on behalf of the Senior Secured Noteholders;
 - (C) each Cash Management Provider; and
 - (D) the Hedge Counterparties,

for application towards the discharge of:

- (I) the liabilities of the Senior Arrangers under the Senior Facilities Agreement and the Senior Lender Liabilities (other than the Super Senior Lender Liabilities) (in accordance with the terms of the Senior Finance Documents);
 - (II) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents);
 - (III) the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each Cash Management Provider); and
 - (IV) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraphs (I), (II), (III) and (IV) above;
- (vii) in payment to:
 - (A) the Second Lien Agent on behalf of the Second Lien Arrangers and the Second Lien Loan Creditors for application (in accordance with the terms of the Second Lien Finance Documents) towards the discharge of the Second Lien Lender Liabilities and the Second Lien Arranger Liabilities on a *pro rata pari passu* basis; and
 - (B) the Second Lien Notes Trustee(s) on behalf of the Second Lien Notes Creditors for application (in accordance with the terms of the Second Lien Notes Finance Documents) towards the discharge of the Second Lien Notes Liabilities on a *pro rata pari passu* basis,

on a pro rata basis and ranking *pari passu* between paragraphs (A) and (B) above;
- (viii) to the extent attributable to the Senior Unsecured Shared Security, the Senior Unsecured Guarantees or a Senior Unsecured Proceeds Loan, in payment to the Senior Unsecured Representative(s) on its own behalf and on behalf of the Senior Unsecured Finance Parties and each Senior Unsecured Arranger for application (in accordance with the terms of the Senior Unsecured Finance Documents) towards the discharge of obligations under the Senior Unsecured Liabilities and the discharge of the Senior Unsecured Arranger Liabilities; and

- (ix) the balance, if any, in payment to the relevant Debtor or (to the extent attributable to the Senior Unsecured Shared Security) Senior Unsecured Security Provider.

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 Senior Unsecured Only Security (the "Senior Unsecured Only Recoveries") shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions set out under the caption "*Application of Proceeds*") in the following order of priority:

- (i) *first*, in payment of the following amounts in the following order: (i) *pari passu* and pro rata any sums owing to the Security Agent, any receiver or any delegate and certain amounts owing to the Senior Unsecured Notes Trustee(s), as the case may be; and then (ii) *pari passu* and pro rata to the Senior Unsecured Representative(s) of the costs and expenses of each Senior Unsecured Representative(s) and any receiver, attorney or agent appointed by it under any Senior Unsecured Only Security Documents or the Intercreditor Agreement; and
- (ii) *second, pari passu* and pro rata in or towards payment to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders or (as applicable) the Senior Unsecured Notes Trustee(s) on behalf of the Senior Unsecured Noteholders or the Senior Unsecured Arrangers for application towards any unpaid costs and expenses incurred by or on behalf of any Senior Unsecured Lenders, Senior Unsecured Noteholders and Senior Unsecured Arrangers in connection with any realization or enforcement of the Senior Unsecured Notes Only Security taken in accordance with the terms of the Senior Unsecured Notes Only Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent; and
- (iii) *third*, to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders or (as applicable) the Senior Unsecured Notes Trustee(s) on behalf of the Senior Unsecured Noteholders and the Senior Unsecured Arrangers for application towards the discharge of the Senior Unsecured Liabilities (in accordance with the relevant Senior Unsecured Finance Document) and the Senior Unsecured Arranger Liabilities on a pro rata basis; and
- (iv) then after the Senior Unsecured Discharge Date, in payment of the surplus (if any) to the relevant Senior Unsecured Borrower and/or Senior Unsecured Notes Issuer or other person entitled to it.

Equalization of the Senior Secured Creditors

The Intercreditor Agreement provides that if the enforcement date occurs prior to the Term Lender Discharge Date and (a) for any reason, any Super Senior Lender Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Super Senior Lenders in the proportions which their respective Exposures at the enforcement date bore to the aggregate exposures of all the Super Senior Lenders at the enforcement date, the Super Senior Lenders will make such payments amongst themselves as the Security Agent shall require to put the Super Senior Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions provided that no Super Senior Lender shall be obliged to make any payment in respect of any amount received by it from a person who is not a member of the Group (other than a Senior Unsecured Security Provider in respect of any amounts received in respect of the Senior Unsecured Shared Security); and (b) for any reason, any Senior Secured Liabilities (other than the Super Senior Lender Liabilities) remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors (other than the Agents and the Super Senior Lenders) in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors (other than the Agents and the Super Senior Lenders) at the enforcement date, the Senior Secured Creditors (other than the Agents and the Super Senior Lenders) will make such payments among themselves as the Security Agent shall require to put the Senior Secured Creditors (other than the Agents and the Super Senior Lenders) in such a position that (after taking into account such payments) those losses are borne in those proportions provided that no Senior Secured Creditor shall be obliged to make any payment in respect of any amount received by it from a person who is not a member of the Group (other than a Senior Unsecured Security Provider in respect of any amounts received in respect of the Senior Unsecured Shared Security).

If the enforcement date occurs on or after the Term Lender Discharge Date and (a) for any reason, any Senior Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Creditors in the proportions which their respective exposures on the enforcement date bore to the aggregate exposures of all the Senior Creditors (other than the applicable Agent), the Senior Creditors (other than the applicable Agents) will make such payments among themselves as the Security Agent shall require to put the Senior Creditors (other than the Agents) in such a position that (after taking into account such payments) those

losses are borne in those proportions, provided that no Senior Creditor shall be obliged to make any payment in respect of any amount received by it from a person who is not a member of the Group (other than a Senior Unsecured Security Provider in respect of any amounts received in respect of the Senior Unsecured Shared Security) or (b) for any reason, any Senior Secured Notes Liabilities and/or any *Pari Passu* Hedging Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Notes Creditors (other than the applicable Agents) and *Pari Passu* Hedge Counterparties (as applicable) in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Notes Creditors (other than the applicable Agents) and *Pari Passu* Hedge Counterparties at the enforcement date, the Senior Secured Notes Creditors (other than the applicable Agents) and the *Pari Passu* Hedge Counterparties (as applicable) will make such payments among themselves as the Security Agent shall require to put the Senior Secured Notes Creditors (other than the Agents and *Pari Passu* Hedge Counterparties in such a position that (after taking into account such payments) those losses are borne in those proportions, provided that no Senior Secured Notes Creditor or *Pari Passu* Hedge Counterparty shall be obliged to make any payment in respect of any amount received by it from a person who is not a member of the Group (other than a Senior Unsecured Security Provider in respect of any amounts received in respect of the Senior Unsecured Shared Security).

Equalization of the Second Lien Creditors

The Intercreditor Agreement provides that if for any reason, any Second Lien Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Second Lien Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Second Lien Creditors at the enforcement date, the Second Lien Creditors will make such payments among themselves as the Security Agent shall require to put the Second Lien Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions, provided that no Second Lien Creditor shall be obliged to make any payment in respect of any amount received by it from a person who is not a member of the Group (other than a Senior Unsecured Security Provider in respect of any amounts received in respect of the Senior Unsecured Shared Security).

Equalization of the Senior Unsecured Creditors

The Intercreditor Agreement provides that if for any reason, any Senior Unsecured Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Unsecured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Unsecured Creditors at the enforcement date, the Senior Unsecured Creditors (subject, in the case of amounts owing to the Senior Unsecured Notes Trustee(s), to the terms of the Intercreditor Agreement) will make such payments among themselves as the Security Agent shall require to put the Senior Unsecured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions, provided that no Senior Unsecured Creditor shall be obliged to make any payment in respect of any amount received by it from a person who is not a member of the Group (other than a Senior Unsecured Security Provider in respect of any amounts received in respect of the Senior Unsecured Shared Security).

New Debt Financings

The Intercreditor Agreement provides for any existing, additional, supplemental or new financing, guarantee or debt arrangement and related security including, without limitation, by way of refinancing, replacement, exchange, set-off, discharge or increase of any new, existing, additional or supplemental financing, guarantee or debt arrangement under a Secured Debt Document (in each case, whether or not in existence at the time of any accessions to the Intercreditor Agreement in respect thereof and including arrangements existing at the time a person becomes a member of the Group (whether by acquisition, merger, consolidation or combination) or assumed in connection with the acquisition of assets, merger, consolidation or combination or otherwise); including by way of any loan, note (including super senior, senior or second lien secured, senior unsecured, senior subordinated or subordinated notes, whether in each case in a public or private offering, Rule 144A or other offering), bond or otherwise (including, in each case, term or revolving); issued or incurred, and together with any guarantee, security or other credit support by any member of the Group (a "New Debt Financing") provided that Topco (or, in respect of any Senior Unsecured Finance Documents, Holdco) certifies to each Agent and Security Agent that it is not prohibited under any Debt Document and it otherwise complies with the requirements (if any) of the then existing Debt Documents relating thereto (including that the issue and application of proceeds is not in breach of the then existing Debt Documents). The New Debt Financing will, to the extent designated by Topco (in a manner which does not breach the terms of the Intercreditor Agreement or the other relevant Debt Documents) have the relevant ranking and be secured as provided for in the Intercreditor Agreement in respect of the relevant category of liabilities.

In connection with any New Debt Financing, each Agent and the Security Agent are authorized and instructed by all Creditors to enter into promptly any new security document, promptly amend or waive any

terms of an existing security document or Senior Unsecured Only Security Document and/or promptly release any asset from the transaction security or Senior Unsecured Only Security provided that (a) any new transaction security be, subject to certain agreed security principles, guarantee limitations, applicable law and the Intercreditor Agreement, granted in favor of the Security Agent for and on behalf of the providers and/or agents and/or trustees of a New Debt Financing and the then existing Secured Parties and on terms substantially the same as the terms of the existing Transaction Security over equivalent assets (unless otherwise agreed by Topco and the Security Agent); (b) any new Senior Unsecured Only Security shall be, subject to any agreed security principles, guarantee limitations, applicable law and the Intercreditor Agreement, granted in favor of the Security Agent for and on behalf of the providers and/or agents and/or trustees of a New Debt Financing and the then existing Senior Unsecured Creditors and on terms substantially the same as the terms of the existing Senior Unsecured Only Security over equivalent assets (unless otherwise agreed by Holdco and the Security Agent) (c) any amendment or waiver of a transaction security document, Senior Unsecured Only Security Document or release and re-grant of transaction security or Senior Unsecured Only Security shall only be undertaken if required by the terms and conditions of the New Debt Financing or necessary under applicable law to give effect to the ranking set out in the Intercreditor Agreement and, if legally possibly and in the opinion of Topco (acting reasonably) it is not commercially detrimental to do so and without breach of any term or condition of the New Debt Financing, second or further priority transaction security or Senior Unsecured Only Security shall be taken instead on the basis that the liabilities under such New Debt Financing will nonetheless be deemed and treated under the Intercreditor Agreement as secured by the existing security documents and the additional transaction security documents or Senior Unsecured Only Security *pari passu* with the existing liabilities which would otherwise have the same ranking; and (c) if any asset is to be released, promptly after giving effect to that release and subject to applicable law, the Debt Documents, certain agreed security principles, guarantee limitations and the Intercreditor Agreement, replacement transaction security or Senior Unsecured Only Security is granted in favor of the Security Agent for and on behalf of the providers and/or agents and/or trustees of the New Debt Financing and the existing Secured Parties benefitting from the security on substantially the same terms as the transaction security or Senior Unsecured Only Security released.

IPO Debt Pushdown

On or following a public equity offering of a member of the Group or a Holding Company of TopCo (an "IPO Event") (or in contemplation of an IPO Event with respect to the release of Transaction Security or Senior Unsecured Only Security if required to implement such IPO Event), TopCo shall be entitled to require (by written notice to each Agent, each Hedge Counterparty and each Cash Management Provider (a "Pushdown Notice")) that the terms of the Debt Documents shall automatically operate (with effect from the date specified in the relevant Pushdown Notice (the "Pushdown Date")) on the basis of the following principles:

- (i) (A) if the Senior Unsecured Discharge Date has occurred, the listed entity (the "Listed Entity") shall become top of the Group for the purposes of the Senior Secured Finance Documents and the Second Lien Finance Documents and Group shall refer to the Listed Entity and its Subsidiaries; or (B) if the Senior Unsecured Discharge Date has not occurred, the Listed Entity or a direct subsidiary of the Listed Entity shall become the SUN Borrower/Issuer and, for the purposes of the Senior Secured Finance Documents and Second Lien Finance Documents, Group shall refer to a direct Subsidiary (which is not the SUN Borrower/Issuer) of the Listed Entity and its Restricted Subsidiaries from time to time;
- (ii) all financial ratio calculations shall be made excluding any holding company of the Listed Entity and all reporting obligations shall be assumed at the level of the Listed Entity;
- (iii) each reference in the Intercreditor Agreement or any other Debt Document to Topco shall be deemed to be a reference to the Listed Entity (or if, the Senior Unsecured Discharge Date has not occurred, a direct subsidiary of the Listed Entity which is not the SUN Borrower / Issuer) and this deeming construct and no action taken by such entity or prior to it being deemed as Topco shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Debt Documents or a default or event of default;
- (iv) none of the representations, warranties, undertakings or events of default in the Debt Documents shall apply to any holding company of the Listed Entity (whether in its capacity as a Debtor or otherwise);
- (v) no event, matter or circumstance relating to any holding company of the Listed Entity (whether in its capacity as an Debtor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Debt Documents or a default or event of default;

- (vi) any borrowing liabilities in respect of the Secured Debt Documents will be (and will be deemed to have been) novated or otherwise transferred to a member of the Group (as defined following the Pushdown Date) nominated by Topco provided that (A) such member of the Group is incorporated in the same jurisdiction as the relevant existing Senior Secured Borrower, Senior Secured Notes Issuer, Second Lien Borrower, Second Lien Notes Issuer, Senior Unsecured Borrower and/or Senior Unsecured Notes Issuer, (B) any requirements under the Intercreditor Agreement as to the identity (as set out under the caption “- General” above) of any Senior Secured Borrower, Senior Secured Notes Issuer, Second Lien Borrower, Second Lien Notes Issuer, Senior Unsecured Borrower and/or Senior Unsecured Notes Issuer must be adhered to (once the provisions set out in this section have taken effect) and (C) it would not be unlawful in any applicable jurisdiction for the relevant Senior Secured Creditor, Second Lien Creditor or Senior Unsecured Creditor to perform any of its obligations under the Debt Document as a result of such novation or transfer (and if such novation or transfer would be unlawful for Senior Secured Creditor, Second Lien Creditor or Senior Unsecured Creditor Topco shall have the right to prepay, repay or redeem the relevant Senior Secured Creditor, Second Lien Creditor or Senior Unsecured Creditor at par) provided that each Senior Secured Creditor, Second Lien Creditor and Senior Unsecured Creditor shall take all reasonable steps to mitigate any circumstances which may result in such unlawfulness;
- (vii) each holding company of the Listed Entity shall be irrevocably and unconditionally released from all obligations and restrictions under the Debt Documents (including any transaction security, or as the case may be, Senior Unsecured Only Security granted by any such Holding Company of the Listed Entity or as a guarantor or Debtor); and
- (viii) unless otherwise notified by Topco:
 - (A) each Investor, Holdco and Senior Unsecured Security Provider (including in any capacity referred to in any of the aforementioned definitions) (each in such capacity, a “Released Person”) shall be irrevocably and unconditionally released from this Agreement and all obligations and restrictions under this Agreement (and from the date specified by Topco that person shall cease to be Party in the applicable capacity as a Released Person and shall have no further rights or obligations under the Intercreditor Agreement in that capacity); and
 - (B) there shall be no obligation or requirement for any person to become party as a Released Person.

In the event that any person is released from or ceases to be or become a party as a Released Person under these provisions, any term of any Debt Document which requires or assumes that any person be a Released Person or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply.

Following an IPO Event, with the consent (as applicable) of each of the Majority Senior Lenders, the Senior Secured Notes Trustee, the Majority Second Lien Lenders, the Second Lien Notes Trustee, the Majority Unsecured Lenders and the Senior Unsecured Notes Trustee (to be calculated pro forma to their participations in the applicable Debt Documents after the IPO Event to the extent any liabilities under such Debt Documents will remain outstanding and as applicable for the purposes of those definitions at such time), each Senior Unsecured Security Provider, the Listed Entity and each subsidiary of the Listed Entity shall, immediately upon the Listed Entity giving written notice to the Security Agent, be irrevocably and unconditionally released from all obligations and restrictions as a Debtor and guarantor under the Debt Documents and any transaction security granted thereby (other than, in each case, any borrowing liabilities).

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the consent of Topco, (to the extent a party) the Agent(s), the relevant Senior Secured Notes Trustee(s), the Second Lien Creditor Representative(s), the relevant Senior Unsecured Representative(s) and the Security Agent.

Other than in respect of the implementation of a Structural Adjustment under (and as defined in) the Senior Facilities Agreement to the extent it does not confer an ability to make more extensive changes than a Structural Adjustment or to give effect to any New Commitments, Incremental Equivalent Debt, Permitted Refinancing, Refinancing Amendment or Credit Agreement Refinancing Indebtedness under (and as defined in and to the extent permitted under) the Senior Facilities Agreement an amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other things, redistribution

among the creditors subject to the terms of the Intercreditor Agreement, the provisions set out under this section, the provisions set out under the caption "*Application of Proceeds*" and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of:

- (i) the Agents;
- (ii) the Senior Lenders (unless a lower consent threshold is expressly provided for in the relevant Debt Documents);
- (iii) the Senior Secured Noteholders (unless a lower consent threshold is specified in the relevant Debt Documents) (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (iv) the Second Lien Lenders (unless a lower consent threshold is expressly provided for in the relevant Debt Documents);
- (v) the Second Lien Noteholders unless a lower consent threshold is specified in the relevant Debt Documents) (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (vi) the Senior Unsecured Creditors (unless a lower consent threshold is specified in the relevant Debt Documents) (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (vii) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty);
- (viii) the Security Agent; and
- (ix) Topco.

The Intercreditor Agreement and any security document may be amended by (to the extent a party) the Senior Agent(s), the Second Lien Agent(s), the Senior secured Notes Trustee(s), the Second Lien Notes Trustee(s), the Second Lien Creditor Representative(s), the Senior Unsecured Representative(s), the Security Agent and Topco without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor, technical or administrative nature, to ensure consistency with the agreed security principles as set out in the Senior Secured Facilities Agreement or as otherwise prescribed by the relevant Debt Documents.

The Senior Secured Notes Trustee(s), the Second Lien Notes Trustee(s) and the Senior Unsecured Notes Trustee(s) shall, to the extent consented to by the requisite percentage of noteholders in accordance with the relevant indenture, act on such instructions in accordance therewith unless to the extent any amendments so consented to relate to any provision affecting the rights and obligations of a Senior Secured Notes Trustee(s), the Second Lien Notes Trustee(s) and/or the Senior Unsecured Notes Trustee(s) in its capacity as such.

In relation to any transaction security over a bank account of a Debtor, the Security Agent is authorized and instructed under the Intercreditor Agreement (without any requirement for any further consents under the Secured Debt Documents) to release any transaction security granted in favor of the Security Agent and held over any such bank account of a Debtor (a "Pledged Account") provided that prior to such release the relevant Debtor has transferred the balance standing to the credit of such Pledged Account to another bank account held by it and that the relevant Debtor has provided effective and valid transaction security over such account consistent with the agreed security principles as set out in the Senior Secured Facilities Agreement. The Security Agent is authorized, empowered and instructed by the Secured Parties (without any requirement for any further consents to be granted under the Secured Debt Documents) to release any transaction security which is no longer required to be the subject of any transaction security under the agreed security principles set out in the Senior Secured Facilities Agreement.

In relation to any Senior Unsecured Only Security over a bank account of a Senior Unsecured Security Provider, the Security Agent is authorized and instructed under the Intercreditor Agreement (without any requirement for any further consents under the Secured Debt Documents) to release any transaction security granted in favor of the Security Agent and held over any such bank account of such Senior Unsecured Security Provider (a "Senior Unsecured Pledged Account") provided that prior to such release the relevant Senior Unsecured Security Provider has transferred the balance standing to the credit of such Senior Unsecured

Pledged Account to another bank account held by it and that the relevant Senior Unsecured Security Provider has provided effective and valid Senior Unsecured Only Security over such account consistent with the agreed security principles. The Security Agent is authorized, empowered and instructed by the Senior Unsecured Creditors to release any Senior Unsecured Only Security which is no longer required to be the subject of any Senior Unsecured Only Security under Senior Unsecured Finance Documents.

Notwithstanding any other term of the Intercreditor Agreement, unless the amendment relates to its rights and obligations each Cash Management Provider agrees and acknowledges that their consent is not required, and it shall have no right to vote or give any instruction, in each case, in relation to any request for a consent, vote, approval or other action under, or in connection with, the Intercreditor Agreement.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement (including in connection with New Debt Financings) and unless the provisions of any Debt Document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if Topco (or in relation to the Senior Unsecured Shares Security, the Senior Unsecured Security Provider) consents, amend the terms of, waive any of the requirements of or grant consents under, any of the transaction security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned “–Exceptions” below and an exception relating to New Debt Financings, the prior consent of each Senior Agent, Senior Secured Notes Trustee, Second Lien Creditor Representative and (in the case of any Senior Unsecured Shared Security) the Senior Unsecured Representative (in each case acting with the consent of the requisite percentage of creditors under the relevant Debt Documents) and Topco is required to authorize any release of transaction security or any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property.

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any Senior Unsecured Finance Documents expressly provide otherwise, the Security Agent may, if authorized by the Majority Senior Unsecured Creditors, and the relevant Senior Unsecured Security Provider consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Senior Unsecured Only Security Documents which shall be binding on each party.

Exceptions

Subject to the paragraph immediately below, if the amendment, waiver or consent may impose new or additional obligations on, or withdraw or reduce the rights of, any party other than:

- (i) in the case of a Primary Creditor, in a way which affects, or would affect, Primary Creditors of that party's class generally; or
- (ii) in the case of a Debtor to the extent consented to by Topco under the Intercreditor Agreement,

the consent of that party is required.

Subject to the paragraph immediately below, an amendment, waiver or consent or release of transaction security (save for any release permitted under the Secured Debt Documents (excluding any hedging agreements)) which relates to the rights or obligations of an Agent, an Arranger, the Security Agent (including, without limitation, any ability of the Security Agent to act in its discretion under the Intercreditor Agreement), a cash management provider or a Hedge Counterparty may not be effected without the consent of that Agent or, as the case may be, Arranger, the Security Agent or that cash management provider or Hedge Counterparty.

Neither of the two immediately preceding paragraphs shall apply:

- to any release of transaction security, Senior Unsecured Only Security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption “–Proceeds of Disposals” above.

Snooze/Lose

If in relation to a request for a consent, a request to participate in a vote of a class of creditors, a request to approve any action or a request for a confirmation or notification, in each case, under the Intercreditor Agreement, any Primary Creditor fails to respond to the request within 10 business days or fails to provide details of its credit participation, such Primary Creditor will be disregarded or be deemed to have zero participation or outstandings in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Debt Documents or the Senior Unsecured Only Security Documents to the contrary.

Other Provisions

The Intercreditor Agreement contains further provisions customary for documents of this nature, dealing with among other things:

- (i) close-out and enforcement (and other enforcement) rights for the Hedge Counterparties (certain required close-out obligations) and the terms on which the hedging agreements must be entered into (and may be amended in the future) and on which payments may be made under such hedging agreements;
- (ii) restrictions on amendments to the terms of any Second Lien Liabilities, Senior Unsecured Liabilities, Intra-Group Liabilities, Holdco Liabilities and Investor Liabilities, restrictions on payments thereunder, restrictions on the taking of enforcement action by the related creditors and similar customary provisions;
- (iii) information sharing between creditor groups;
- (iv) customary protection for trustees and the Security Agent; and
- (v) customary provisions regarding assignments and transfers, and accession of future creditors, HoldCo, Senior Unsecured Security Providers and Debtors.

Governing Law

The Intercreditor Agreement (and any non-contractual obligations arising out of or in connection with it) are governed by English law.

Shareholder Loans

In 2015, 2018 and 2019, LuxCo 3 as lender and TopCo as borrower entered into three shareholder loans (the "Shareholder Loans"). The Shareholder Loans are subordinated to all obligations of TopCo. The Shareholder Loans entered into in 2018 and 2019 mature after the maturity date of the Notes and we intend to amend the Shareholder Loan entered into 2015 in order that it matures after the maturity date of the Notes. No cash payments are required to service the Shareholder Loans.

DESCRIPTION OF THE SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used in this *"Description of the Senior Secured Notes"* under the heading *"—Certain Definitions"*. For the purposes of this *"Description of the Senior Secured Notes"*, references to the *"Issuer"* refer to Douglas GmbH only and not to any of its Subsidiaries.

The Issuer will issue €1,000 million aggregate principal amount of Senior Secured Notes due 2026 (the *"Senior Secured Notes"*) under an indenture to be dated as of the Issue Date (the *"Senior Secured Notes Indenture"*), among, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the *"Trustee"*), Deutsche Bank AG, London Branch, as security agent (the *"Security Agent"*), paying agent (the *"Paying Agent"*) and transfer agent (the *"Transfer Agent"*), and Deutsche Bank Luxembourg S.A., as registrar (the *"Registrar"*) and transfer agent (the *"Transfer Agent"*), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Senior Secured Notes Indenture will not be qualified under, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Secured Notes Indenture and the Senior Secured Notes and refers to the Security Documents and 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, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior Secured Notes.

The proceeds of the offering of the Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with the proceeds of the offering of the Senior PIK Notes, amounts borrowed under the Senior Credit Facilities and the Equity Contribution, to (i) fund the redemption of the Existing Senior Secured Notes and Existing Senior Notes; (ii) repay all amounts outstanding under the Existing Senior Secured Facilities; and (iii) pay fees and expenses incurred in connection therewith, as set forth in this Offering Memorandum under the caption *"Use of Proceeds"*.

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 basis by Kirk Beauty Two GmbH (the *"Company"*), Kirk Beauty One GmbH (the *"Parent"*), Kirk Beauty Netherlands B.V., Parfümerie Douglas International GmbH, Parfümerie Douglas GmbH, Douglas Finance B.V. and Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG. (the *"Issue Date Guarantors"*). The Senior Secured Notes Indenture will require (subject to the Agreed Security Principles) that on or prior to the date falling (a) on the later of the date on which such entity provides a guarantee of the Senior Credit Facilities and 30 days after the Issue Date and (b) on the later of the date on which such entity provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date, as applicable, certain of the Issuer's subsidiaries will become a party to the Senior Secured Notes Indenture and guarantee the Senior Secured Notes on a senior basis (the *"Post-Closing Guarantors"* and together with the Issue Date Guarantors, the *"Guarantors"*).

The aggregate principal amount of Senior Secured Notes issued in this offering will be €1,000 million. We may issue an unlimited principal amount of additional Senior Secured Notes from time to time after this offering having identical terms and conditions as the Senior Secured Notes (the *"Additional Senior Secured Notes"*). We will only be permitted to issue Additional Senior Secured Notes in compliance with the covenants contained in the Senior Secured Notes Indenture, including the covenant restricting the Incurrence of Indebtedness and the covenant restricting the Incurrence of Liens (as described below under *"—Certain Covenants—Limitation on Indebtedness"* and *"—Certain Covenants—Limitation on Liens"*, respectively). Except with respect to right of payment and optional redemption, and except as otherwise provided in the Senior Secured Notes Indenture, the Senior Secured 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. If the Additional Senior Secured Notes are not fungible with the Senior Secured Notes issued on the Issue Date for U.S. federal income tax purposes, the Additional Senior Secured Notes will be issued with separate ISIN codes or common codes, as applicable. Unless the context otherwise requires, in this *"Description of the Senior Secured Notes"*, references to the *"Senior Secured Notes"* include the Senior Secured Notes and any Additional Senior Secured Notes that are actually issued.

The Senior Secured Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements. The terms of the Intercreditor Agreement are important to understanding the relative ranking of Indebtedness and security, the ability to make payments in respect of the Indebtedness, the procedures for undertaking enforcement action, the subordination of certain Indebtedness, turnover obligations, release of security and guarantees and the payment waterfall for amounts received by the Security Agent. See *"Description of Certain Financing Arrangements—Intercreditor Agreement"* for a description of certain terms of the Intercreditor Agreement.

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 Note 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 any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including Indebtedness Incurred under the Senior Facilities Agreement;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Issue Date Guarantors as of the Issue Date and required to be guaranteed by the Post-Closing Guarantors, as described under “–Note Guarantees”;
- be structurally subordinated to all Indebtedness and obligations of the Issuer and its Subsidiaries that are not Guarantors; and
- mature on _____, 2026.

The Senior Secured Notes will be represented by one or more registered Senior Secured Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes. See “Book-Entry, Delivery and Form”.

Following the Closing Date, the Issuer intends to merge with the Company and the Parent, pursuant to which the Company will be the surviving entity and will acquire all of the rights and assets, and will assume all of the obligations, of the Issuer, including all rights and obligations under the Senior Secured Notes. See “The Transactions–Post-Closing Reorganization”.

The Senior Secured Note Guarantees

The Senior Secured Notes will be guaranteed by the Issue Date Guarantors on the Issue Date. The Issuer intends to merge with the Company and the Parent following the Issue Date, pursuant to which the Company will be the surviving entity and will acquire all of the rights and assets, and will assume all of the obligations, of the Parent and the Issuer. Upon the completion of these mergers, the Note Guarantees of the Company and the Parent and all intercompany loans between these entities will be extinguished. As a result, the Company will become the successor Issuer of the Senior Secured Notes and will assume all of the obligations of the Issuer under the Senior Secured Notes. There is no requirement for us to complete the Post-Closing Reorganization and failure to do so will not be an event of default under the Senior Secured Notes and the Senior Secured Notes Indenture.

Subject to the Agreed Security Principles, the Senior Secured Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling (a) on the later of the date on which the relevant Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 30 days after the Issue Date and (b) on the later of the date on which the relevant Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date, as applicable, the Post-Closing Guarantors to guarantee the Senior Secured Notes as described below. In addition, if required by the covenant described under “–Certain Covenants–Additional Guarantees”, certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor will:

- be a general, joint and several, senior obligation of that Guarantor;

- be secured as set forth under “–Security”;
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee, including that Guarantor’s obligations under the Senior Facilities Agreement and in the case of the Senior PIK Notes Issuer, its obligations under the Senior PIK Notes;
- rank senior in right of payment to all existing and future Indebtedness of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee, including that Guarantor’s Guarantee of the Senior PIK Notes; and
- be effectively subordinated to any existing and future Indebtedness of that Guarantor that is secured by property and assets that do not secure its Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see “*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*”. By virtue of these limitations, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes. See also “*Risk Factors—Risks Related to our Structure—The insolvency laws of Germany and the respective jurisdictions of incorporation of 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.*”

General

As of the Issue Date, all of the Company’s Subsidiaries will be “*Restricted Subsidiaries*” for purposes of the Senior Secured Notes Indenture. However, under the circumstances described below under the caption “–*Certain Definitions—Unrestricted Subsidiary*”, the Issuer will be permitted to designate certain Subsidiaries of the Company as “*Unrestricted Subsidiaries*”. None of the restrictive covenants in the Senior Secured Notes Indenture will apply to Unrestricted Subsidiaries and no future Unrestricted Subsidiary will guarantee the Senior Secured Notes.

All of the operations of the Issuer are 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.

Not all of the Issuer’s Subsidiaries will guarantee the Senior Secured Notes. Any right of the Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary’s bankruptcy, liquidation or reorganization (and the consequent right of the Holders of Senior Secured Notes to participate in those assets) will be structurally subordinated to that non-guarantor Subsidiary’s Indebtedness and other obligations (including trade payables, preference shares and lease obligations, if any), 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 effectively subordinated to any obligations secured over the assets of the non-guarantor Subsidiary and subordinated in right of payment to any Indebtedness of the non-guarantor Subsidiary that is senior to the claims held by the Issuer or such Guarantor. See “*Risk Factors—Risks Relating to our Structure—The Issuers are dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees.*” For the twelve-month period ended December 31, 2020, the Senior Secured Notes Issuer (who is also a Guarantor of the Senior PIK Notes) together with the Guarantors of the Senior Secured Notes (excluding TopCo, which is a holding company with no revenue-generating activities of its own and does not have any business operations, material assets (other than the shares it owns in its subsidiaries and intragroup receivables) or liabilities (other than intragroup liabilities that will be extinguished following completion of the Post-Closing Mergers) accounted for 37.3% of the consolidated total assets of the Group, 48.5% of the consolidated sales of the Group and 50.0% of the consolidated Adjusted EBITDA (as reported) of the Group.

Principal and Maturity

The Issuer will issue €1,000 million in aggregate principal amount of Senior Secured Notes on the Issue Date. The Senior Secured Notes will mature on _____, 2026. The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Senior Secured Notes will accrue at the rate of _____ % per annum. Interest on the Senior Secured 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 _____ and _____, commencing on _____, 2021;
- be payable to the Holder of record of such Senior Secured Notes on the Business Day immediately preceding each interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate principal amount outstanding.

The rights of Holders to receive the payments of interest on such Senior Secured Notes are subject to the applicable procedures of the common depositary and Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Senior Secured Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a common depositary for Euroclear and Clearstream, or its nominee, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by wire transfer to the person entitled thereto as shown on the register of Holders of Senior Secured Notes for the Definitive Registered Notes. See "*Paying Agent and Registrar for the Senior Secured Notes*".

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more Paying Agents for the Senior Secured Notes. The initial Paying Agent will be Deutsche Bank AG, London Branch.

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar, the Paying Agent and Transfer Agent, as applicable, will maintain a register reflecting ownership of the Senior Secured Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Senior Secured Notes on behalf of the Issuer.

The Issuer may change the Paying Agent, Registrar or Transfer Agent for the Senior Secured Notes without prior notice to the Holders of Senior Secured Notes. However, for so long as Senior Secured Notes are listed on the Official List of The International Stock Exchange Authority Limited (the "*Exchange*") and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Secured Notes.

Transfer and Exchange

The Senior Secured Notes will be issued in global registered form without interest coupons, as follows:

- 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 "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Senior Secured Notes sold outside the United States pursuant to Regulation S under the 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 Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act 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 any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, in each case upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*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 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Secured Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of 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 Disposition Offer.

The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holders of Senior Secured Notes as the owners thereof for all purposes.

Note Guarantees

General

The Senior Secured Notes will be guaranteed by the Company, the Parent, Kirk Beauty Netherlands B.V., Parfümerie Douglas International GmbH, Parfümerie Douglas GmbH, Douglas Finance B.V. and Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG. on the Issue Date. Subject to the Agreed Security Principles, the Senior Secured Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling on the later of the date on which the relevant Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 30 days after the Issue Date (in respect of Post-Closing Guarantors incorporated in Germany or the Netherlands) or on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date (in respect of Post-Closing Guarantors incorporated in Poland) after the Issue Date, certain subsidiaries of the Issuer that will be guarantors under the Senior Facilities Agreement other than subsidiaries incorporated in France and Italy (the "*Post-Closing Guarantors*") to guarantee the Senior Secured Notes. The Post-Closing Guarantors will be Kirk Beauty Netherlands Holding B.V., Parfümerie Douglas Deutschland GmbH, Douglas Grundstücks-und Verwaltungsgesellschaft Zossen mbH, Douglas Marken-und Lizenzen GmbH & Co. KG, Parfümerie Douglas Nederland B.V., Douglas Investment B.V. and "Douglas Polska" sp. z o.o.

Releases of Note Guarantees

The Note Guarantee of any Guarantor will be automatically and unconditionally released and discharged:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a Holding Company) or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the covenant described below "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and the Guarantor ceases to be a Restricted Subsidiary of the Issuer as a result of the sale or other disposition;
- upon the designation in accordance with the Senior Secured Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*Amendments and Waivers*";
- as described in the covenant described below under "*Certain Covenants—Additional Guarantees*";
- as described under "*Merger and Consolidation—The Guarantors*";
- upon the release of the Guarantee and any other of Indebtedness that resulted in the creation of the relevant Note Guarantee under the covenant described below under "*Certain Covenants—Additional Guarantees*" so long as no Event of Default would arise as a result and no other Indebtedness of the Issuer or any Guarantor at that time is Guaranteed by the relevant Guarantor;
- if such Guarantor is subject to or part of a Permitted Transaction; or
- upon redemption of all of the Senior Secured Notes.

The Trustee and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by (and at the expense of) the Issuer to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications, including the delivery of a customary Officer's Certificate and Opinion of Counsel. The Trustee shall be entitled to rely on such Officer's Certificate and Opinion of Counsel absolutely and without further enquiry. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Security

General

On the Issue Date, the Senior Secured Notes will be secured by first-priority security interests over the following assets:

- the issued share capital of the Issuer, the Parent and the Company;
- certain intercompany receivables owed by each of the Issuer, the Parent and the Company to their direct parent companies;
- the bank accounts of the Issuer, the Parent and the Company; and
- the proceeds loan under which the proceeds of the Senior PIK Notes are on-lent to the Company.

Subject to the Agreed Security Principles, the Senior Secured Notes Indenture will also require the Issuer to cause, on or prior to the date falling on the later of the date on which any such Collateral secures the Senior Credit Facilities and 30 days after the Issue Date (in respect of Post-Closing Guarantors incorporated in Germany or the Netherlands) or on the later of the date on which such Collateral secures the Senior Credit Facilities and 90 days after the Issue Date (in respect of Post-Closing Guarantors incorporated in Poland and the pledges over the shares of Groupe Douglas France SAS and Douglas Italia SpA), the Senior Secured Notes to be secured by first-priority security interests over the shares of each of the Post-Closing Guarantors, material bank accounts of each of the Post-Closing Guarantors and material intercompany receivables owed by each of the Post-Closing Guarantors.

In connection with the Post-Closing Reorganization, certain of the collateral will be released and new security will be granted to give effect to the new structure. In particular, as part of the Post-Closing Reorganization, KB A, a German company to be formed following the Issue Date in connection with the Post-Closing Reorganization that will initially be the direct subsidiary of KBI, will replace KBI as the new direct parent of the Senior PIK Notes Issuer and the Company and subsequently, that the Senior PIK Notes Issuer will replace KB A as the new direct parent of the Company. In connection with such steps, KB A will assume the obligations of the Company under certain shareholder loans and consequently, the security granted over the related receivable in favor of the Senior Secured Notes will be released.

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Senior Secured Notes and holders of the other secured obligations that are secured by the Collateral (including obligations under the Senior Facilities Agreement). Any additional security interests that may in the future be pledged to secure obligations under the Senior Secured Notes and the Note Guarantees would also constitute Collateral.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Impairment of Security Interest*” and “—*Certain Covenants—Limitation on Liens*”, the Company and its Restricted Subsidiaries and the Senior PIK Notes Issuer will be permitted to grant security over the Collateral in connection with certain future issuances of Indebtedness of the Issuer or any of its Restricted Subsidiaries, including any Additional Senior Secured Notes, in each case, as permitted under the Senior Secured Notes Indenture and the Intercreditor Agreement.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests*”.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of Senior Secured Notes and the creditors of other obligations secured thereby. No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the offering of the 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. See “*Risk Factors—Risks Related to the Notes—The collateral may not be sufficient to secure the obligations under the Notes.*”

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*") as between (a) the lenders under the Senior Facilities Agreement, (b) the counterparties under certain Hedging Obligations and Cash Management Agreements, (c) the Trustee, the Security Agent and the Holders of the Senior Secured Notes under the Senior Secured Notes Indenture, (d) the trustee, security agent and holders of the Senior PIK Notes under the Senior PIK Notes Indenture and (e) certain other credit representatives, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Senior Facilities Agreement and the Notes are secured by a security interest on a first-priority basis in the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

In addition, pursuant to the terms of the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. In particular, the Senior Secured Notes Indenture and the Intercreditor Agreement will, permit (i) Super Senior State Supported Debt in an aggregate amount not to exceed €100 million and (ii) upon the first date on which the Senior Facilities Agreement has been fully and finally discharged, the incurrence of Indebtedness pursuant to a super priority revolving credit facility agreement in an aggregate amount not to exceed the greater of €200 million and 50% of Consolidated EBITDA as well as in respect of certain Hedging Obligations and Cash Management Agreements. If Incurred, any liabilities in respect of obligations under such super priority credit facility agreement and such Hedging Obligations and Cash Management Agreements would receive priority with respect to any proceeds received from the enforcement of the Collateral or certain distressed disposals. Any proceeds received upon any such enforcement would, after all obligations under such super priority credit facility have been repaid and such Hedging Obligations and Cash Management Agreements have been discharged in full, be applied pro rata in repayment of all obligations under the Senior Secured Notes and any other Indebtedness that is secured by the Collateral on a *pari passu* basis. See "*Risk Factors—Risks Related to the Notes—Certain debt that we incur in the future may be entitled to be repaid with the proceeds of the collateral securing the Senior Secured Notes in priority to the Senior Secured Notes.*"

Security Documents

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of, among others, the Issuer's and the Guarantors' payment obligations under the Senior Secured Notes, the Note Guarantees and the Senior Secured Notes Indenture. The Security Documents have been or will be entered into by, among others as the case may be, the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including the Trustee and the Holders of Senior Secured Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Senior Facilities Agreement, the holders of the Senior PIK Notes and the counterparties under certain Hedging Obligations and Cash Management Agreements in relation to the Security Interests created in favor of such parties.

The Senior Secured Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Secured Notes and the Note Guarantees, as applicable, will be secured by the Security Interests in the Collateral. However, the Security Interests with respect to the Senior Secured Notes and the Note Guarantees may be released under certain circumstances as provided under "*—Release of Liens*" below. See "*—Enforcement of Security Interests*" and "*Risk Factors—Risks Related to our Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Note Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*". The validity and enforceability of the Security Interests will be subject to, *inter alios*, the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests*".

Holders of the Senior Secured Notes may not, 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 act through the Security Agent in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement. Due to the laws and other jurisprudence governing the creation and perfection of security interests in certain jurisdictions, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Senior Secured Notes, the Note Guarantees and the other secured obligations arising in connection with the Senior Secured Notes). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. 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."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders of the Senior Secured Notes might not be able to recover any amounts under the Security Documents. See *"Risk Factors—Risks Related to the Notes—It may be difficult to realize the value of the collateral securing the Notes."*

Subject to the terms of the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer, the Guarantors and any security provider will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Intercreditor Agreement; Additional Intercreditor Agreements; Security Documents; Agreement to be Bound

The Senior Secured Notes Indenture will provide that each Holder of the Senior Secured Notes, by accepting such Senior Secured Note, will be deemed to have:

- (1) consented and agreed to the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the covenant described under *"—Certain Covenants—Additional Intercreditor Agreements"* (including, without limitation, the provisions providing for foreclosure and release of the Collateral and authorizing the Security Agent to enter into the Security Documents on its behalf), as the same may be in effect or may be amended from time to time in accordance with its terms;
- (2) authorized the Trustee and the Security Agent, as applicable, to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith; and
- (3) have appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreement.

Please see *"Description of Certain Financing Arrangements—Intercreditor Agreement"*.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the covenant described under *"—Certain Covenants—Additional Intercreditor Agreements"*.

Release of Liens

The Issuer, the Guarantors and any security provider will be entitled to release Security Interests in respect of the Collateral owned by it or by any such Guarantor under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of Collateral (other than Security Interests in respect any of the Capital Stock of the Company (the *"Company Share Collateral"*)) to (a) a Person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to *"—Certain Covenants—Merger and Consolidation"*), if such sale or other disposition does not violate the covenant described below under *"—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock"* or (b) any Restricted Subsidiary that is not a Guarantor; *provided* that nothing in this clause (1) shall restrict the release of Security Interests in respect of the Company Share Collateral (x) to the extent that substantially concurrently with such release, Liens over the Company Share Collateral having equivalent ranking as prior to such release are granted for the benefit of the Holders, subject to the Agreed Security Principles, on substantially the same terms as the initial Security Interest or (y) in connection with the Post-Closing Reorganization.
- (2) other than in respect of Company Share Collateral, in the case of a Guarantor that is released from its Note 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) as described under “–Amendments and Waivers”;
- (4) upon payment in full of principal, interest and all other obligations on the Senior Secured Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in “–Defeasance” and “–Satisfaction and Discharge”;
- (5) 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, and Capital Stock, of such Unrestricted Subsidiary;
- (6) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale of such property or assets, which may include Collateral, pursuant to a Factoring Transaction;
- (8) as permitted by the covenant described under “–Certain Covenants–Impairment of Security Interest” (or, in the case of the Company Share Collateral, that would be permitted by such covenant were it to apply to the security providers of such Company Share Collateral); or
- (9) as otherwise permitted in accordance with the Senior Secured Notes Indenture;
- (10) if required to effect a Permitted Transaction; or
- (11) upon redemption of all of the Senior Secured Notes.

In addition, the Security Interests in respect of the entire Capital Stock of the Company, the Parent and/or the Issuer, as applicable, shall be permitted to be released within a reasonable time to facilitate an Initial Public Offering in which any of the Company, the Parent or the Issuer is the IPO Entity; *provided* that no Security Interests over the Capital Stock of any Restricted Subsidiary of the IPO Entity may be released in reliance on this provision and *provided further* that such Security Interests so released shall be promptly granted in favor of the Senior Secured Notes in the event that the Initial Public Offering is abandoned or does not complete for any reason.

The Security Agent and the Trustee (to the extent action is required by it in order to effectuate such release) will take all necessary action reasonably requested by the Issuer to effectuate any release of Collateral securing the Senior Secured Notes and the Note 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 effected by the Security Agent without the consent of the Holders of Senior Secured Notes or any action on the part of the Trustee (unless action is required by it to effect such release).

IPO Debt Pushdown

On or following an Initial Public Offering (an “*IPO Event*”) (or in contemplation of an IPO Event with respect to the release of Collateral if required to implement such IPO Event), the Issuer shall be entitled to require (by written notice to the Trustee (a “*Pushdown Notice*”)) that the terms of the Senior Secured Notes Documents shall operate (with effect from the date specified in the relevant Pushdown Notice (the “*Pushdown Date*”)) on the basis that:

- (1) references to the Issuer, the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time;
- (2) all financial ratio calculations, basket calculations and financial definitions shall exclude any parent entity of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity;
- (3) each reference in the Senior Secured Notes Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the Issuer shall be deemed to be a reference to the IPO Pushdown Entity (subject to the third paragraph of this section “–*IPO Debt Pushdown*” and to the extent applicable and unless the context requires otherwise); and provided that nothing in this paragraph, including the deeming construct contemplated by this sub-clause (3) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Issuer, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any

representation, warranty, undertaking, covenant or other term in the Senior Secured Notes Indenture, the Senior Facilities Agreement, the Intercreditor Agreement any Additional Intercreditor Agreement or the other collateral documents or a Default or an Event of Default;

- (4) none of the representations, warranties, undertakings, covenants or Events of Default, as applicable, in the Senior Secured Notes Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor in respect of the Senior Secured Notes or otherwise);
- (5) no event, matter or circumstance relating to any Parent Entity of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking, covenant or other term in the Senior Secured Senior Secured Notes Documents or a Default or an Event of Default;
- (6) the obligations of the Issuer under the Senior Secured Notes will be (and will be deemed to have been) novated or otherwise transferred to the IPO Pushdown Entity (or, subject to the third paragraph of this section "*IPO Debt Pushdown*" below, to the Restricted Subsidiary of the IPO Pushdown Entity set forth therein); *provided* that such member of the Pushdown Group is incorporated in the same jurisdiction as the Issuer;
- (7) each Parent Entity of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations and restrictions under the Senior Secured Notes Documents and any security granted by any such Parent Entity;
- (8) each Parent Entity of the IPO Pushdown Entity that had been party to the Senior Secured Notes Documents, and each Subsidiary of such Parent Entity that is not the IPO Pushdown Entity or a Subsidiary thereof, will not, on the Pushdown Date after giving pro forma effect thereto, have any assets (other than shares in its subsidiaries and intercompany receivables) that are material to, or reasonably necessary for the operation of, the business of the Company and its Restricted Subsidiaries;
- (9) unless otherwise notified by the Issuer: (A) each Person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as a "HoldCo" or "Investor" (as such terms are defined in the Intercreditor Agreement) (each in such capacity, a "*Released Person*") shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement or any Additional Intercreditor Agreement (and from the date specified by the Issuer, that Person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) in the applicable capacity as a Released Person and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) in that capacity); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement as a Released Person; and
- (10) in the event that any Person is released from or ceases to be or become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as a Released Person as a consequence of this paragraph, any term of the Senior Secured Notes Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any Person be a Released Person or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply.

The Trustee, the Security Agent and any other agents party thereto shall, at the request of the Issuer and without the consent of Holders, enter into any amendment or supplement to, release of, or replacement of, the Senior Secured Notes Indenture, the Intercreditor Agreement or any Security Documents required by the Issuer and/or take such other action as is requested by the Issuer in order to facilitate or reflect any of the matters contemplated by the first paragraph of this covenant (collectively, an "*IPO Pushdown*"); *provided*, that such amendment, replacement or other document or instrument will not impose any personal obligations on the Trustee, the Security Agent and any other agents party thereto or adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee, the Security Agent or any other agents party thereto under the Senior Secured Notes Indenture, Intercreditor Agreement or Security Documents. The Trustee, the Security Agent and any other agents party thereto are each irrevocably authorized and instructed by the Holders of the Senior Secured Notes (without any consent by the Holders of the Senior Secured Notes) to execute any such amended, released or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of the Issuer).

For the purpose of this covenant, the “*IPO Pushdown Entity*” shall be any Restricted Subsidiary of the Company or a Parent Entity of the Company notified to the Trustee by the Issuer in writing as the Person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event; *provided*, that the IPO Pushdown Entity shall be the entity that will issue shares, or whose shares are to be sold, pursuant to that IPO Event (such Restricted Subsidiary of the Company or a Parent Entity of the Company, the “*Listed Entity*”) and *provided further* that if the Senior PIK Notes or any other Senior Unsecured Liabilities (as defined in the Intercreditor Agreement or Additional Intercreditor Agreement) are not refinanced in full on or before the Pushdown Date, clauses (1) through (10) above shall operate such that:

- (i) either the Listed Entity shall become the Senior PIK Notes Issuer (or the SUN Borrower/Issuer as defined in the Intercreditor Agreement) or a direct subsidiary of the Listed Entity specified by the Company in the Pushdown Notice shall become the Senior PIK Notes Issuer (or the SUN Borrower/Issuer as defined in the Intercreditor Agreement or Additional Intercreditor Agreement); and
- (ii) all references to the Pushdown Entity in clauses (1) through (10) above other than clauses (4), (5) and (7), which shall refer to the Listed Entity) shall be construed as references to the direct Restricted Subsidiary of the Listed Entity (which is not the Senior PIK Notes Issuer or SUN Borrower/Issuer as determined by the first paragraph of this paragraph) (and for the purposes of the Intercreditor Agreement or Additional Intercreditor Agreement, the Senior Secured Finance Documents and the Second Lien Finance Documents the Group (each as defined therein) shall be defined as such direct Restricted Subsidiary of the Listed Entity and its Restricted Subsidiaries from time to time and for the purposes of the Senior Unsecured Finance Documents, the Group (or Restricted Group or equivalent term) shall be defined as the Listed Entity and its restricted subsidiaries including the Senior PIK Notes Issuer and SUN Borrower/Issuer).

If the Issuer delivers a Pushdown Notice to the Trustee pursuant to the first paragraph of this covenant in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph: (i) the provisions of clauses (1) to (10) of the first paragraph of this covenant shall cease to apply in relation to that Pushdown Notice; (ii) if any Collateral has been released pursuant to the foregoing paragraphs in reliance on that Pushdown Notice, subject to the Agreed Security Principles and in accordance with the section “Security–Release of Liens” above, the provider of any Company Share Collateral, Company, the Issuer or the relevant Restricted Subsidiary will as soon as reasonably practicable execute a replacement Security Document in respect of that Collateral; and (iii) if any Person party to the Intercreditor Agreement in the capacity of a Released Person has been released from the Intercreditor Agreement pursuant to clauses (9) or (10) of the first paragraph or the third paragraph of this covenant in reliance on that Pushdown Notice, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement as the applicable Released Person. For the avoidance of doubt: (A) nothing in this paragraph shall prohibit or otherwise restrict the Issuer from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Senior Secured Notes Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Optional Redemption

Senior Secured Notes

Except as described below and except as described under “–Redemption for Taxation Reasons”, the Senior Secured Notes are not redeemable until _____, 2023.

On and after _____, 2023 the Issuer may redeem all or, from time to time, part of the Senior Secured Notes at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if redeemed during the twelve-month period beginning on of the years indicated below:

Year	Redemption Price
2023	%
2024	%
2025 and thereafter	100.000%

At any time and from time to time prior to _____, 2023 the Issuer may redeem up to 40% of the aggregate principal amount of the Senior Secured Notes (including the principal amount of any Additional Senior Secured Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of _____ % of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 50% of the original principal amount of the Senior Secured Notes issued under the Senior Secured Notes Indenture (excluding any Additional Senior Secured Notes) remains outstanding immediately after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time and from time to time prior to _____, 2023 the Issuer may, during each calendar year, redeem up to 10% of the original principal amount of the Senior Secured Notes at a redemption price equal to 103.000% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

At any time and from time to time prior to _____, 2023 the Issuer may redeem all or, from time to time, a part of any Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Senior Secured Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes are subject to redemption by the Issuer.

In connection with any tender offer for the Senior Secured Notes, including a Change of Control Offer or Asset Disposition Offer, if Holders of not less than 90% in aggregate principal amount of the outstanding Senior Secured Notes validly tender and do not withdraw such Senior Secured Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of such Issuer, purchases all of the Senior Secured Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase date, to redeem all Senior Secured Notes, in whole or in part, that remain outstanding following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, the date of such redemption. Without prejudice to any provision of the Senior Secured Notes Indenture regarding Senior Secured Notes deemed not to be outstanding for voting purposes if held by the Issuer or its Affiliates, in determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Senior Secured Notes have validly tendered and not validly withdrawn Senior Secured Notes in a tender offer, including a Change of Control Offer or Asset Disposition Offer, Senior Secured Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer and such determination.

Notice of any redemption of the Senior Secured Notes may, at the Issuer's discretion, be given prior to the completion of a transaction (including an Equity Offering, an Incurrence of Indebtedness, a Change of Control, and Asset Disposition or other transaction) and any redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the

redemption or repurchase date may be delayed until such time (including more than 60 days after the date the notice of redemption or offer to purchase was sent) as any or all such conditions shall be satisfied (or waived by the Issuer in their sole discretion), or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in their sole discretion) by the redemption or purchase date, or by the redemption or purchase date as so delayed, or that such notice may be rescinded at any time in the Issuer's sole discretion if the Issuer determines that any or all of such conditions will not be satisfied or waived. In addition, the Issuer may provide in such notice that payment of the redemption or purchase price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

The Issuer may redeem Senior Secured Notes pursuant to one or more of the relevant provisions in the Senior Secured Notes Indenture, and a single notice of redemption may be delivered with respect to redemptions made pursuant to different provisions. Any such notice may provide that redemptions made pursuant to different provisions will have different redemption dates.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

Selection and Notice

If less than all of the Senior Secured Notes is to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts in compliance with their existing requirements and practices, or if the Senior Secured Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, selection will be made on a *pro rata* basis by way of pool factor (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); *provided, however*, that no such partial redemption shall reduce the outstanding aggregate principal amount of any Senior Secured Note not redeemed to less than €100,000. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

Notices of redemption will be delivered electronically or mailed by first-class mail, postage prepaid, at least 10 days but not more than 60 days before the redemption date to each Holder of Senior Secured Notes to be redeemed at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a legal or covenant defeasance of the Senior Secured Notes or a satisfaction and discharge of the Senior Secured Notes Indenture.

If and for so long as any Senior Secured Notes are listed on the Exchange and if and to the extent the rules of the Exchange so require, the Issuers will notify the Exchange of any such notice to the Holders of the Senior Secured Notes and, in connection with any redemption, the Issuers will notify the Exchange of any change in the principal amount of Senior Secured Notes outstanding.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, 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.

If the due date for any redemption payment in respect of the Senior Secured Notes is not a business day in the place of payment (or from where the payment will be made), payment shall be made on the next succeeding day that is a business day and no interest shall accrue in the intervening period.

Redemption for Taxation Reasons

The Issuer may redeem the Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Senior Secured Notes (with a copy to the Trustee and the Paying Agents) (which notice will be irrevocable) at a redemption price equal to 100% of the

principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "—Withholding Taxes"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any amendment to, or change in an official application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice or revenue guidance) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay Additional Amounts with respect to the Senior Secured Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be formally announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Secured Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Secured Notes Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Senior Secured Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—Selection and Notice". Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor (as defined below) has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "Payor") in respect of the Senior Secured Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Senior Secured Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or
- (2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "Relevant Taxing Jurisdiction"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Senior Secured Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each Holder in

respect of such payments on any such Senior Secured Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Secured Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Secured Note, the Senior Secured Notes Indenture or a Note Guarantee;
- (2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;
- (3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Senior Secured Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Senior Secured Notes or any Note Guarantee;
- (5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;
- (6) any Taxes imposed in connection with a Senior Secured Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;
- (7) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or
- (8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Senior Secured Notes, to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Senior Secured Notes directly.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate or other reasonable evidence stating that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Senior Secured Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely, without further inquiry, on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Secured Notes Indenture, the Senior Secured Notes or this "*Description of the Senior Secured Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a purchase of Senior Secured Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Senior Secured Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holders, the Trustee, the Paying Agent, the Transfer Agent and the Registrar for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of, or receipt of payments with respect to, any Senior Secured Notes, any Note Guarantee, the Senior Secured Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Secured Notes after this offering and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Senior Secured Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (8)).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Secured Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof, *provided* that Senior Secured Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any Senior Secured Notes as described under this heading "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes and given notice of redemption as described under "*Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes and given notice of redemption as described under "*Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to the Paying Agent or tender agent for such Change of Control Offer, as applicable (with a copy to the Trustee) who will send such notice to each Holder of any Senior Secured Notes:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Secured Notes at a

purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “*Change of Control Payment*”);

- (2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the “*Change of Control Payment Date*”);
- (3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Senior Secured Notes Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased; and
- (6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior Secured Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Senior Secured Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Senior Secured Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent or tender agent for such Change of Control Offer, as applicable, will promptly mail or deliver to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Secured Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail or deliver (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Senior Secured Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder’s right to require the Issuer to repurchase such Holder’s Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the

requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption of all outstanding Senior Secured Notes has been given under “Optional Redemption” unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. 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.

To the extent that the provisions of any securities laws or regulations, including Section 14(e) of the U.S. Exchange Act, conflict with provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Secured Notes Indenture by virtue of such compliance. The Issuer may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

The Issuer’s ability to repurchase Senior Secured Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Senior Facilities Agreement. In addition, certain events that may constitute a change of control under the Senior Facilities Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Senior Secured Notes Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a change of control or require such Indebtedness to be repurchased upon a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer’s ability to pay cash to the Holders upon a repurchase may be limited by the Issuer’s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See *“Risk Factors—Risks Related to our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in each Indenture may not necessarily afford you protection in the event of certain important corporate events.”*

The definition of “Change of Control” includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole or the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase “substantially all” there is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions of the Senior Secured Notes Indenture relating to the Issuer’s obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Senior Secured Notes.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; *provided, however*, that the Company and any Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence, after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), for the most recently ended Relevant Period, (1) either (x) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0 or (y) Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries would have been no greater than 5.5 to 1.0; (2) to the extent that the Indebtedness is Secured Indebtedness, the Consolidated Secured Net Leverage Ratio for the Company and its Restricted Subsidiaries would have been no greater than 5.5 to 1.0 and (3) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Company and its Restricted Subsidiaries would have been no greater than 4.50 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (“Permitted Debt”):

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder), and any Refinancing Indebtedness in

respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (a) €1,280 million, *plus* (b) the greater of (i) €300 million and (ii) 75% of Consolidated EBITDA, *plus* (c) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

- (2)
 - (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; or
 - (b) without limiting the covenant described under "*Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture;
- (3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:
 - (a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with cash management positions of the Company and its Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Senior Secured Notes, in the case of the Company, or the applicable Note Guarantee, in the case of a Guarantor to the extent required by the Intercreditor Agreement; and
 - (b) (x) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company and (y) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;
- (4) (a) Indebtedness represented by (1) the Senior Secured Notes (other than any Additional Senior Secured Notes) and the related Note Guarantees outstanding on the Issue Date and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents and (2) guarantees with respect to the Senior PIK Notes any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness of the Company or any of its Restricted Subsidiaries (other than Indebtedness Incurred under the Senior Facilities Agreement or the Senior PIK Notes Indenture or Indebtedness described in clause (3) or (4)(a) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances, (e) any loan or other instrument contributing the proceeds of the Senior Secured Notes or the Senior PIK Notes, and (f) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Senior Secured and the Senior PIK Notes Indenture;
- (5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate any acquisition or other Investment in an aggregate amount not to exceed an unlimited amount if after giving effect to such acquisition or other Investment (including pursuant to an acquisition of assets and assumption of related liabilities), merger, consolidation, amalgamation or similar transaction, (I) if such Indebtedness Senior Secured Indebtedness, either (1)(x) the Senior Secured Net Leverage Ratio as of the last day of the most recently ended Relevant Period is equal to or less than 4.50 to 1.0 or (y) the Senior Secured Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such

acquisition or other transaction and related Incurrence of Indebtedness, (II) if such Indebtedness is secured on the Collateral and does not constitute Senior Secured Indebtedness, either (1)(x) the Consolidated Secured Net Leverage Ratio as of the last day of the most recently ended Relevant Period is equal to or less than 5.5 to 1.0 or (y) the Consolidated Secured Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness and (III) if such Indebtedness is unsecured or secured on assets not constituting Collateral, either (1)(x) the Consolidated Net Leverage Ratio as of the last day of the most recently ended Relevant Period is equal to or less than 5.5 to 1.0 or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness or (2)(x) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0 after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries for the most recently ended Relevant Period would not be less than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness;

- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase or lease of assets or the purchase of Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) (excluding any Indebtedness Incurred under any sale and leaseback transactions of real estate) and then outstanding, will not exceed at any time outstanding the greater of €75 million and 20% of Consolidated EBITDA, so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, other types of social security, pension obligations, employee benefits, customer guarantees, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, consistent with past practice or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, consistent with past practice or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums or take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business, (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements (including pursuant to Cash Management Agreements), in each case in the ordinary course of business or consistent with past practice and (e) incentive, non-compete, consulting, deferred compensation or other arrangements with current, future or former officers, directors, employees, members of management or consultants of the Company (or any direct or indirect Holding Company thereof) and the Restricted Subsidiaries incurred in the ordinary course of business (including any modification, refinancing, refunding, replacement, renewal or extension of such Indebtedness);
- (9) Indebtedness constituting obligations under non-compete agreements, consulting agreements, indemnification obligations or obligations in respect of purchase price (including earn-outs) or other similar deferred purchase price arrangements or adjustments or, in each case, similar obligations, in each case, Incurred or assumed in connection with the

acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);

- (10)
 - (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
 - (b) customer deposits and advance payments received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice;
 - (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business or consistent with past practice of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries;
 - (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business or consistent with past practice;
 - (e) Indebtedness in respect of any bankers' acceptance supporting trade payables, warehouse receipts or similar facilities entered into in the ordinary course of business (including any modification, refinancing, refunding, replacement, renewal or extension of such Indebtedness);
 - (f) Indebtedness arising in connection with tax, deferral arrangements, tax exemptions, development opportunities, tenders, fulfilment of contractual commitments and/or other incentives or exemptions in the ordinary course of business or in connection with the business of the Company and its Restricted Subsidiaries or consistent with past practice; and
 - (g) Guarantees and counter-indemnities Incurred in the ordinary course of business or consistent with past practice in respect of obligations of (or to) suppliers, customers, franchisees, lessors and licensees that, in each case, are not Affiliates of the Company;
- (11) Indebtedness arising from or incurred in connection with Factoring Financing arrangements;
- (12) Indebtedness of the Company and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*Limitation on Restricted Payments*" in reliance thereon;
- (13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed the greater of €140 million and 35% of Consolidated EBITDA;

- (14) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of €40 million and 10% of Consolidated EBITDA and Indebtedness backstopped by any bank guarantees and/or letters of credit; and
- (15) Permitted Intercompany Activities (to the extent constituting Indebtedness).

Notwithstanding the foregoing, the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clauses (5) and (13) of the second paragraph of this covenant at any time outstanding shall not exceed the greater of €100.0 million and 25% of Consolidated EBITDA at any time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant;
- (2) all Indebtedness outstanding on the Issue Date under the Senior Facilities Agreement shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first or second paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) "Consolidated EBITDA" shall be calculated in accordance with the section "*Certain Covenants—Financial Calculations*" set forth below;
- (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS;
- (9) in the event that the Company or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (28) of the definition of "*Permitted Liens*," the Incurrence or issuance thereof for all purposes under the Senior Secured Notes Indenture, including for the purposes of calculating any ratios or baskets or other applicable provision of the Senior Secured Notes Indenture for borrowings and reborrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) may be determined, at the Issuer's option (A) on the date of such revolving credit facility or such entry into or increase in commitments or (B) on the date on which such facility or commitments become available (assuming, in the case of (A) and (B) of this clause (9) that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date) and, in either case, if any such ratio or basket or other applicable provision of the Senior Secured Notes Indenture is satisfied with respect thereto at such time, any borrowing or reborrowing thereunder (and the issuance and

creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of any such ratio, basket, provision of the Senior Secured Notes Indenture at the time of any borrowing or reborrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (9) but not actually borrowed on such date shall be the "*Reserved Indebtedness Amount*" as of such date for purposes of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio or the Consolidated Net Leverage Ratio, as applicable, and, to the extent of the usage of any clause of the second paragraph of this covenant (if any), shall be deemed to be Incurred and outstanding under such clauses); and

- (10) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on the first paragraph of this covenant or any clause of the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA as of any date of determination, if such refinancing would cause the percentage of Consolidated EBITDA restriction to be exceeded if calculated based on the percentage of Consolidated EBITDA on the date of determination of such refinancing, such percentage of Consolidated EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus the aggregate amount of accrued and unpaid interest and any fees and expenses (including original issue discount, upfront fees or similar fees), including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred or payable in connection with such refinancing.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*Limitation on Indebtedness*"; provided that the amount of any Refinancing Indebtedness in respect of any outstanding Indebtedness may (in the Issuer's sole discretion) be increased by the amount of all such accrued and/or capitalized interest, accreted value, original issue discount and/or additional Indebtedness in respect of such Indebtedness and such increased amount will not be deemed to be Indebtedness for the purpose of calculating any basket, permission or threshold under which such Refinancing Indebtedness is permitted to be Incurred. Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or at the Issuer's discretion, first committed or first incurred or upon execution of the definitive documentation in respect thereof; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount (or liquidation preference in the case of Disqualified Stock or Preferred Stock) of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being

refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:
 - (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and
 - (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent Entity of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*Limitation on Indebtedness*");
- (4) make any payment (other than by capitalization of interest) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or
- (5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):
 - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter ending immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available; provided the amount taken into account pursuant to this clause (i) shall not be less than zero;

- (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Company, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions), excluding, for the avoidance of doubt, the Equity Contribution;
- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (1) or (6) of the second succeeding paragraph and (y) Excluded Contributions, and excluding, for the avoidance of doubt, the Equity Contribution;
- (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the disposition of any Investment in any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than a disposition to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary);
- (v) in the event that an Unrestricted Subsidiary (designated as such subsequent to the Issue Date) is redesignated as a Restricted Subsidiary, all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary or such Unrestricted Subsidiary is merged or consolidated into the Company or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Company or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment";

- (vi) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; and
- (vii) the greater of €100 million and 25% of Consolidated EBITDA

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph of this covenant;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*Limitation on Indebtedness*" above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
 - (a) from Net Available Cash to the extent permitted under "*Limitation on Sales of Assets and Subsidiary Stock*" below, but only (i) if the Issuer shall have first complied with the terms described under "*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest plus any applicable early redemption premium;
 - (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*Change of Control*" and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest plus any applicable early redemption premium; or
 - (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or

series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent Entity to permit any Parent Entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) the greater of €40 million and 10% of Consolidated EBITDA in any calendar year, such amount being increased to the greater of €60 million and 15% of Consolidated EBITDA subsequent to the consummation of an Initial Public Offering (with unused amounts in any calendar year being permitted to be carried over to succeeding calendar years subject to a maximum of the greater of €80 million and 20% of Consolidated EBITDA in any calendar year or the greater of €120 million and 30% of Consolidated EBITDA subsequent to the consummation of a Qualified IPO, respectively), *plus* (b) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity), or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), *plus* (c) the net cash proceeds of any key man life insurance policies *plus* (d) the amount of any cash bonuses otherwise payable to employees, officers, directors, managers, consultants or independent contractors of the Company or its Restricted Subsidiaries or any direct or indirect parent of the Company that are foregone in return for the receipt of Capital Stock, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph of this covenant;
- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*Limitation on Indebtedness*";
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise, conversion or exchange price thereof or withholding or similar taxes in respect thereof (and payments of the same) upon such exercise, conversion or exchange;
- (9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):
 - (a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; or
 - (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under "*Limitation on Affiliate Transactions*";
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity

interests of the Company 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 Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or contributed as Subordinated Shareholder Funding to the Company 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;

- (11) payments by the Company, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Company or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions or the net cash proceeds from a disposition in respect of property or assets acquired after the Issue Date, if the acquisition of such property or assets was financed with Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payments for the purposes of or arising in connection with purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Factoring Financing and the payment or distribution of Receivables Fees;
- (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and
(ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date,
provided, however, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent Entity or an Affiliate the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Funding to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;
- (15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (16) dividends or other distributions in amounts required for a direct or indirect Parent Entity of the Company to pay interest on Indebtedness the proceeds of which have been contributed to the Company or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “–*Limitation on Indebtedness*”, including pursuant, in the case of the Senior PIK Notes Issuer, to payments made under the Senior PIK Notes Proceeds Loans;
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided that*, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries does not exceed 4.5 to 1.0 on a *pro forma* basis after giving effect thereto; and
- (18) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €90 million and 22.5% of Consolidated EBITDA;

- (19) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments of amounts deemed not to be Excess Proceeds pursuant to the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*"; and
- (20) the prepayment, redemption, repurchase, defeasance, exchange, conversion, acquisition or retirement or other acquisition of any Subordinated Indebtedness in an aggregate principal amount at any time outstanding not to exceed the greater of €90 million and 22.5% of LTM Consolidated EBITDA.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) (i) meets the criteria of more than one of the categories of Permitted Payments described in the second paragraph of this covenant, and/or (ii) is permitted pursuant to the first paragraph of this covenant and/or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on any relevant date of determination of such Restricted Payment of the assets or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA," pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries.

Unrestricted Subsidiaries may use value transferred from the Company and the Restricted Subsidiaries in a Permitted Investment or a Restricted Investment not prohibited under this covenant to purchase or otherwise acquire Indebtedness or Capital Stock of the Company, any Parent Entity or any of the Company's Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "direct or indirect" action by the Company or the Restricted Subsidiaries.

Limitation on Liens

The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes pursuant to clause (a)(2) above will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*Security—Release of Liens*".

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits;
- (B) make any loans or advances to the Company or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Facilities Agreement), (b) the Intercreditor Agreement or (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “–Merger and Consolidation”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;
- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (4) any encumbrance or restriction:
 - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
 - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Senior Secured Notes Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Senior Secured Notes

- Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or
- (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
 - (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
 - (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
 - (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
 - (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
 - (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
 - (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Secured Notes than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Senior Secured Notes or (b) constituting an Additional Intercreditor Agreement;
 - (12) any encumbrance or restrictions effected in connection with Factoring Financing;
 - (13) any encumbrance or restriction existing by reason of any Lien permitted under “*Limitation on Liens*”;
 - (14) any encumbrance or restriction existing by reason of a Permitted Transaction effected in compliance with the definition thereof;
 - (15) provisions restricting assignment of any agreement entered into in the ordinary course of business or consistent with past practice; or
 - (16) customary restrictions included in shareholder agreements, including, without limitation, those relating to non-wholly owned Subsidiaries.

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Company or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer’s Board of Directors); and

- (2) in any such Asset Disposition, or series of related Asset Dispositions, with a purchase price in excess of the greater of €40 million and 10% of Consolidated EBITDA, at least 75% of the consideration the Company or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
- (i) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);
 - (ii) Cash Equivalents;
 - (iii) the assumption by the purchaser of (x) any liabilities recorded on the Company's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Company nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Company and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;
 - (iv) Replacement Assets;
 - (v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;
 - (vi) consideration consisting of Indebtedness of the Company or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Company or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Company or such Guarantor;
 - (vii) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €25 million and 6.5% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or
 - (viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Company or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Company or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) *Pari Passu* Indebtedness that is secured by a Lien on the Collateral that is not subordinated to the Liens securing the Senior Secured Notes at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Senior Secured Notes) pursuant to this clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior Secured Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Secured Notes equal to the proportion that (x) the total aggregate principal amount of Senior Secured Notes outstanding bears to (y) the sum total aggregate principal amount of the Senior Secured Notes outstanding plus the total aggregate principal amount outstanding of

such Indebtedness (other than the Senior Secured Notes); or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Company or a Guarantor or Indebtedness owed to the Company or any Restricted Subsidiary and, for the avoidance of doubt, other than the Senior Secured Credit Liabilities (as defined in the Intercreditor Agreement));

- (2) purchase Senior Secured Notes pursuant to an offer to all Holders of the Senior Secured Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and/or redeem Notes pursuant to the redemption provisions of the Indenture or by making an Asset Disposition Offer to all Holders of the Senior Secured Notes (in accordance with the procedures set out below);
- (3) invest in any Replacement Assets;
- (4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;
- (5) make a capital expenditure;
- (6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (7) consummate any combination of the foregoing; or
- (8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date.

The following amount of such Net Available Cash not so used as set forth in this paragraph constitutes "Excess Proceeds":

- (1) if the Consolidated Senior Secured Net Leverage Ratio as at the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash is greater than 4.25:1.00, 100% of such Net Available Cash; and
- (2) if the Consolidated Senior Secured Net Leverage Ratio as at the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash is equal to or less than 4.25:1.00, 50% of such Net Available Cash;

provided that if immediately prior to making an Asset Disposition Offer, the Consolidated Senior Secured Net Leverage Ratio falls into a lower threshold than at the time initially calculated, then the relevant percentage of Net Available Cash that constitute Excess Cash Proceeds shall be reduced accordingly.

Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce indebtedness or otherwise use such Net Available Cash in any manner that is not prohibited by the terms of the Senior Secured Notes Indenture.

On the 366th day after an Asset Disposition (or the 546th day if a binding commitment as described in clause (8) above has been entered into) or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of €40 million and 10% of Consolidated EBITDA, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of

purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Senior Secured Notes.

To the extent that the aggregate amount of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for any purpose permitted by the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the relevant Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The provisions under the Senior Secured Notes Indenture related to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of all the then outstanding Senior Secured Notes.

The Asset Disposition Offer, insofar as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than ten Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will repay the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Senior Secured Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being an "Affiliate Transaction") involving aggregate value in excess of the greater of €20 million and 5% of Consolidated EBITDA unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €40 million and 10% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under "*Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants, contractors or employees of the Company, any Restricted Subsidiary of the Company or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers, consultants, contractors or employees);
- (6) (i) the Transactions, (ii) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in "*Certain Relationships and Related Party Transactions*" in this Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) the entry into, delivery and performance of obligations of, or making of any payments by, the Company or any of its Restricted Subsidiaries pursuant to any Tax Sharing Agreement among

the Company as dominated entity and any Parent Entity as dominating entity (*herrschendes Unternehmen*) required under applicable law and the applicable Tax Sharing Agreement, including any conversion of any loss compensation claims arising under a Tax Sharing Agreement into one or more (interest or non-interest bearing) loans or other receivables owed by the Company to a German HoldCo (provided that any (interest or non-interest bearing) loans or other receivables (and all associated interest) resulting from the aforementioned conversion of amounts payable owing from the Company to a German HoldCo must be pledged or assigned as Collateral and to the terms of the Intercreditor Agreement as Investor Liabilities) or any deferral or settlement of any loss compensation claims arising under a Tax Sharing Agreement by way of payment in cash, in kind, set-off (including the prior creation of a receivable (including but not limited to, a receivable for the disbursement of a loan) of a German HoldCo owed to the Company to enable a set-off), novation or by way of any similar form;

- (8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;
- (11) (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of €4 million and 1% of Consolidated EBITDA per year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;
- (12) any transactions for which the Company or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Company or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (13) (A) investments by Affiliates (including Permitted Holders) in debt facilities and debt securities of the Company or any of its Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses incurred by the Permitted Holders in connection therewith) and (B) payments to Affiliates in respect of such debt facilities or debt securities of the Company or any of the Restricted Subsidiaries contemplated in sub-paragraph (A) above or that were acquired from persons other than the Company and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities;
- (14) pledges of Capital Stock of Unrestricted Subsidiaries;
- (15) any transaction effected as part of a Factoring Financing;

- (16) intellectual property licenses in the ordinary course of business; and
- (17) any transaction as part of or in connection with a Permitted Transaction or in connection with an Initial Public Offering.

Limitation on Activities of the Parent and the Company

Neither the Parent nor the Company may carry on any material business or own any material assets or incur any Indebtedness other than:

- (1) providing administrative services, strategy, legal, accounting, treasury, financial, banking, management and support services to its Affiliates (including, without limitation, the management of its Subsidiaries and its Subsidiaries' assets, entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group, providing payroll, IT, audit, compliance and similar services, providing healthcare and benefits, fulfilling periodic reporting requirements and secondment of employees), the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a Holding Company and the ownership of assets and the incurrence and payment of costs, fees, taxes and expenses in connection with such services and activities;
- (2) (i) incurring any Indebtedness or Subordinated Shareholding Funding or making any loan not prohibited under the Senior Secured Notes Indenture; (ii) conducting any activities reasonably incidental to the incurrence of such Indebtedness or Subordinated Shareholder Funding, including the servicing, purchase, redemption, amendment, exchange, refinancing or retirement and the performance of the terms and conditions thereof; and (iii) the granting of Liens to secure such Indebtedness or otherwise, in each case, not prohibited by the terms of the Senior Secured Notes Indenture;
- (3) entering into, and activities undertaken with the purpose of fulfilling its obligations or exercising its rights under, the Senior Secured Notes Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Senior Facilities Agreement, the Security Documents, any finance document relating to Indebtedness not prohibited to be incurred under the Senior Secured Notes Indenture and any related finance, security or other document to the extent party thereto;
- (4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares or other equity or debt securities of Subsidiaries, (iii) other property and assets for the purpose of transferring such property and asset to any Parent or other Person and (iv) any other property or asset it owns on the Issue Date;
- (5) paying dividends, making distributions and other payments or disposals as permitted or not prohibited under the Senior Secured Notes Indenture, including without limitation, any Restricted Payment permitted pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*" and making any Permitted Payment, any Permitted Investment or any transaction specifically excluded from the definition of the term "Restricted Payment;"
- (6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Senior Secured Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited under the Senior Secured Notes Indenture;
- (7) entering into and performing any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants or any Person who directly or indirectly holds Capital Stock of the Company, the issuance, offering and sale of such Capital Stock to such Persons, including compliance with applicable regulatory and other obligations in connection therewith and any purchase, repurchase, redemption, or the performance of the terms and conditions of an exercise of rights in respect of such Capital Stock, (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, escrow agreements, engagement letters, underwriting agreements, dealer manager agreements, solicitation agency agreements, agreements with rating agencies and other agreements in respect of securities or any offering, issuance or sale thereof and (iii) engagement letters and reliance letters in respect of legal, accounting and advice or reports received or commissioned by it, in each case, in relation to transactions which prohibited under the Senior Secured Notes Indenture;

- (8) the issuance, offering and sale of shares, other equity securities and debt securities, including compliance with applicable regulatory and other obligations in connection therewith and undertaking any activities to the extent consistent with the activities of a listed company in the course of its business as a listed company or to comply with the requirements of any applicable authority and/or stock exchange;
- (9) pursuant to or in connection with the Transactions, including the Post-Closing Reorganization;
- (10) any activity of the type undertaken by such entity, or (following its merger with or into the Parent or the Company) the Issuer, prior to the Issue Date; and
- (11) undertaking any other activities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) *de minimis* in nature

Reports

So long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (1) within 120 days following the end of each fiscal year of the Company beginning with the Company's fiscal year ending September 30, 2021, annual reports containing to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Company as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Company for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements in respect of the most recently completed fiscal year; (iv) a description of the management and shareholders of the Company, material affiliate transactions and a description of all material debt instruments (unless such contract arrangements were described in a previous annual or quarterly report, in which case the Company need describe only any material changes); and (v) a description of material operational risk factors and material subsequent events; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days following the end of each of the first, second and third fiscal quarters in each fiscal year of the Company beginning with the quarter ending March 31, 2021, quarterly financial statements containing the following information: (i) the Company's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations and material changes in liquidity and capital resources of the Company; and (iv) material subsequent events; *provided* that the information described in clause (iv) may be provided in the footnotes to the unaudited financial statements; and
- (3) promptly after the occurrence of a material event that the Company announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to

the Company and the Restricted Subsidiaries taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Company, a report containing a description of such event.

In addition, the Issuer will furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act for so long as the Senior Secured Notes are not freely transferable under the U.S. Exchange Act by persons who are not "affiliates" under the U.S. Securities Act.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Company 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. Notwithstanding the foregoing, to the extent that material differences exist between the results of operations or financial condition of the Issuer and the Company, the annual and quarterly reports shall give a reasonably detailed description of such differences. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company's (a) total consolidated revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the Company, then the quarterly and annual financial information required by the first paragraph of this "Reports" covenant 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 Company, the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries. The Issuer may at any time elect to become the reporting entity in place of the Company, after which election, references to the "Company" in clauses (1), (2) and (3) above shall be deemed to refer to the Issuer.

In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Company and the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Subject to compliance with the next paragraph, in the event that, and for so long as, the equity securities of the Company, the Issuer or any Parent Entity or IPO Entity are listed on the Main Market of the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union) and the Company, the Issuer or such Parent Entity or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Company, the Issuer or such Parent Entity or IPO Entity is, or would be, required to file with the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union) pursuant to such admission and disclosure standards (or the

applicable standards of one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union, as applicable). Upon complying with the foregoing requirements, and provided that such requirements require the Company, the Issuer or any Parent Entity or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union, as applicable, the Issuer will be deemed to have complied with the provisions contained in this covenant.

The Issuer may comply with any requirement to provide reports or financial statements under this covenant by providing (x) any report or financial statements of a direct or indirect Parent Entity of the Company so long as such reports (if an annual, half-yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Company therein were references to such Parent Entity and (b) include condensed consolidated financial information that explains in reasonable detail the differences between, to the extent applicable,: (i) such Parent Entity; (ii) the Company and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Parent Entity that are not the Company or Subsidiaries of the Company on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts; or (y) any report or financial statements of a direct or indirect Subsidiary of the Company that represents substantially all the assets of the Company and its Restricted Subsidiaries (the "Reporting Subsidiary") so long as such reports (if an annual, half yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Company therein were references to the Reporting Subsidiary and (b) include condensed consolidated financial information that explains in reasonable detail the differences between, to the extent applicable,: (i) the Company; (ii) the Reporting Subsidiary and its Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Company that are not the Reporting Subsidiary or Subsidiaries of the Reporting Subsidiary on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the requirements set forth in the preceding sentence, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

All reports provided pursuant to this covenant will be made in the English language.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

- (1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of the United Kingdom, any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Australia or any state thereof, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Fixed Charge Coverage for the Company or the Successor Company and its Restricted Subsidiaries would be at least 2.0 to 1.0 or (b) the Fixed Charge Coverage Ratio for the Company or the Successor Company and its Restricted Subsidiaries for the most recently ended Relevant Period immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

- (4) the Issuer shall have delivered to the Trustee (and the Trustee will be able to rely without further inquiry on) an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior Secured Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company in accordance with its terms (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*Limitation on Indebtedness*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Secured Notes Indenture but in the case of a lease of all or substantially all its assets, the Issuer will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*Merger and Consolidation*" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*" or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture or the Intercreditor Agreement and any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless:
 - (a) the other Person is the Issuer or another Restricted Subsidiary that is a Guarantor or becomes a Guarantor (with its Note Guarantee subject to limitation as set forth in the Agreed Security Principles) substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;
 - (b) [reserved];
 - (c) (1) either (x) a Guarantor is the surviving entity or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee and with its Note Guarantee subject to limitation as set forth in the Agreed Security Principles); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

- (d) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture;

provided, however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (a) and (c)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims, or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction, including in each case the views, guidance or interpretation of the relevant regulator; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this *"Merger and Consolidation"* covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or direction of, or agreement with, any regulatory authority having jurisdiction over the Company and/or any of its Restricted Subsidiaries; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading *"–The Issuer"* shall apply to such transaction; (v) the solvent liquidation of any Restricted Subsidiary that is not a Guarantor; (vi) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity or (vii) the Post-Closing Reorganization; *provided, however*, that clauses (1), (2) and (4) under the heading *"–The Issuer"* shall apply to any such transaction in respect of the Issuer.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior Secured Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a *"Suspension Event"*), then, beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (the *"Reversion Date"*), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes:

- (1) *"–Limitation on Indebtedness";*
- (2) *"–Limitation on Restricted Payments";*
- (3) *"–Limitation on Restrictions on Distributions from Restricted Subsidiaries";*
- (4) *"–Limitation on Affiliate Transactions";*
- (5) *"–Limitation on Sales of Assets and Subsidiary Stock";*
- (6) *"–Additional Guarantees";* and
- (7) the provisions of clause (3) of the first paragraph of the covenant described under *"–Merger and Consolidation–The Issuer,"*

and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default

or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*Limitation on Indebtedness*." In addition, the Senior Secured Notes Indenture will also permit, without causing a Default or Event of Default, the Company or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Senior Secured Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Senior Secured Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied; *provided that*, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Secured Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Company shall not and shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens, or the confirmation or affirmation of security interests in respect of the Collateral shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenants described under "*Limitation on Indebtedness*" and "*Limitation on Liens*", including Permitted Collateral Liens and the Collateral may be discharged, transferred and released and retaken, if applicable, in accordance with the Senior Secured Notes Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement

Subject to the foregoing, the applicable Security Documents may be amended, extended, renewed, restated, supplemented, replaced or otherwise modified or released and retaken from time to time to (1) cure any ambiguity, mistake, omission, defect or inconsistency therein, (2) provide for Permitted Collateral Liens, (3) add to the Collateral, (4) make any other change thereto that does not adversely affect the Holders in any material respect, or (5) for the purposes of undertaking a Permitted Transaction or the Post-Closing Reorganization; *provided, however*, that in the case of clause (4) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors, Chief Financial Officer or Chief Executive Officer of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, release, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Issuer, the Company or the relevant Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

The Company shall cause, subject to the Agreed Security Principles, as soon as is reasonably practicable after the Issue Date and in any event on or prior to the date falling (a) on the later of the date on which such Post Closing Guarantor provides a guarantee of the Senior Credit Facilities and 30 days after the

Issue Date and (b) on the later of the date on which such Post Closing Guarantor provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date, as applicable, each Post Closing Guarantor to:

- (1) execute and deliver to the Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture pursuant to which such Subsidiary will provide a Note Guarantee, which Note Guarantee will be senior to or *pari passu* (subject to the super senior ranking of "*Super Senior Lender Liabilities*", as such term is defined in the Intercreditor Agreement or pursuant to a corresponding definition in any Additional Intercreditor Agreement) with all other Indebtedness of such Restricted Subsidiary; and
- (2) accede as a party to the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the Agreed Security Principles, the Company will not cause or permit any Restricted Subsidiary that is not a Guarantor to Guarantee the Indebtedness outstanding under the Senior Credit Facilities, any Credit Facility (in an aggregate amount of all such Guarantees of such other Credit Facilities exceeding €50.0 million outstanding) or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary becomes a Guarantor by no later than 10 Business Days after the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture providing for a Note Guarantee of such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably 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. This paragraph shall not be applicable to any guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

Note Guarantees granted pursuant to this provision shall be released as set forth under "*Releases of Note Guarantees*". A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Secured Notes Indenture if such Guarantor had not been designated as a Guarantor or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Secured Notes Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Note Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors*".

Additional Intercreditor Agreements

The Senior Secured Notes Indenture will provide that, at the request of the Issuer and without the consent of Holders, in connection with the Incurrence by the Company or its Restricted Subsidiaries of any (1) Indebtedness secured on Collateral or as otherwise required herein and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), the Issuer, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement or restatement, amendment or modification of the Intercreditor Agreement will not impose any personal obligations on the Trustee or Security

Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Senior Secured Notes Indenture or the Intercreditor Agreement.

The Senior Secured Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking *pari passu* or junior in right of payment to the Senior Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured Notes, (6) implement any Permitted Collateral Liens (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to 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 below under "*Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any such Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture also will provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*Limitation on Restricted Payments*".

The Senior Secured Notes Indenture also will provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement will be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer or at the offices of the listing agent.

Financial Calculations

Notwithstanding anything to the contrary herein, the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio and the Consolidated Senior Secured Net Leverage Ratio and Consolidated EBITDA shall be calculated in the manner prescribed by this section. Consolidated EBITDA shall be calculated with reference to the Company and its Restricted Subsidiaries for purposes of calculating compliance with any covenant determined by reference to Consolidated EBITDA.

For the purposes of calculating the Consolidated Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Fixed Charge Coverage Ratio or compliance with any covenant determined by reference to Consolidated EBITDA, for a Specified Transaction (and the incurrence or repayment of any Indebtedness in connection therewith) that has been made (i) during the applicable Relevant Period or (ii) subsequent to such Relevant Period and prior to or simultaneously with the event for which the calculation of any such ratio is made shall be calculated on a pro forma basis assuming that all such Specified Transactions (and any increase or decrease in Consolidated EBITDA and the component financial definitions used therein attributable to any Specified Transaction) had occurred on the first day of the applicable Relevant Period. If since the beginning of any applicable Relevant Period any Person that subsequently became a Restricted Subsidiary or was merged, amalgamated or consolidated with or into any Restricted Subsidiary since the beginning of such Relevant Period shall have made any Specified Transaction that would have required adjustment pursuant to this section, then the Consolidated Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio, the Consolidated Senior Secured Net Leverage Ratio and the Fixed Charge Coverage Ratio and Consolidated EBITDA shall be calculated to give pro forma effect thereto in accordance with this section.

Whenever pro forma effect is to be given to a Specified Transaction, the pro forma calculations shall be made in good faith by an Officer and may include, for the avoidance of doubt, the amount of "run rate" cost savings, operating expense reductions and synergies (excluding revenue synergies) projected by the Issuer in good faith to be realized as a result of specified actions taken, committed to be taken or expected to be taken (calculated on a pro forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of such period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of such period) relating to such Specified Transaction and run rate means the full recurring benefit for a period that is associated with any action taken, committed to be taken or with respect to which substantial steps have been taken or are expected to be taken, net of the amount of actual benefits realized during such period from such actions; *provided* that (i) such amounts are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Issuer, (ii) such actions are taken, committed to be taken or expected to be taken no later than 24 months after the date of such Specified Transaction and (iii) no amounts shall be added pursuant to this paragraph to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such period; *provided* that any such adjustments made under this paragraph, together with any "run rate" adjustments under clause (13) of the definition of Consolidated EBITDA, shall not exceed 20% of Consolidated EBITDA after giving effects to all other adjustments permitted by the definition of "Consolidated EBITDA"; *provided, further*, that at the election of the Issuer (in its sole and absolute discretion), such amounts shall not be required to be determined for any Specified Transaction to the extent the aggregate consideration paid in connection with such Specified Transaction was equal to or less than €25 million.

In the event that the Company or any Restricted Subsidiary incurs (including by assumption or guarantees) or repays (including by repurchase, redemption, repayment, retirement, defeasance, extinguishment or other discharge) any Indebtedness included in the calculations of the Consolidated Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio, the Consolidated Senior Secured Net Leverage Ratio or the Fixed Charge Coverage Ratio, as the case may be (in each case, other than Indebtedness incurred or repaid under any revolving credit facility in the ordinary course of business for working capital purposes), (i) during the applicable Relevant Period or (ii) subsequent to the end of the applicable Relevant Period and prior to or simultaneously with the event for which the calculation of any such ratio is made, then the Consolidated Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio, the Consolidated Senior Secured Net Leverage Ratio and the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence or repayment of Indebtedness, to the extent required, as if the same had occurred on the last day of the applicable Relevant Period with the change in any associated Fixed Charges being calculated as if such incurrence or repayment occurred on the first day of such Relevant Period; *provided* that (A) such *pro forma* calculation shall not give effect to (x) any Indebtedness Incurred on the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*") pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" or (y) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" and (B) the cash proceeds (and any resulting cash and Cash Equivalent Investments) of such incurred Indebtedness shall be excluded from amounts that may be netted in the calculation of pro forma Consolidated Net Leverage Ratio, pro forma Consolidated Secured Net Leverage Ratio or pro forma Consolidated Senior Secured Net Leverage Ratio. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date such calculation is being made had been the applicable rate for the entire period (taking into account any Swap Contract applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with the relevant Accounting Principles. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a LIBOR interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

With respect to any basket or threshold that is determined by reference to the greater of a fixed amount and a percentage of Consolidated EBITDA, Consolidated EBITDA shall be calculated at all times as if Capitalized Lease Obligations are calculated on the basis of IFRS as in effect prior to January 1, 2019, irrespective of whether an IFRS 16 Election has been made.

On and after the date pro forma effect is to be given to an acquisition or Investment and on which the Company or any Restricted Subsidiary is incurring Indebtedness, which acquisition or Investment has yet to be consummated but for which a definitive agreement governing such acquisition or Investment has been executed and remains in effect, such pro forma effect shall be deemed to continue at all times thereafter for

purposes of determining ratio-based conditions and baskets until the earlier of the date such acquisition or Investment is consummated or the date such definitive agreement is terminated or expires without consummation.

Without prejudice to the rights of the Restricted Group under the foregoing paragraphs:

- (a) for the purposes of the determination of the Consolidated Net Leverage Ratio, the Consolidated Secured Net Leverage Ratio, the Consolidated Senior Secured Net Leverage Ratio and the Fixed Charge Coverage Ratio, the exchange rates used in the calculation of Consolidated EBITDA shall be the weighted average exchange rates for the relevant period as determined by the Issuer; and
- (b) for the purposes of the determination of Consolidated Total Debt, Consolidated Senior Secured Net Debt and Consolidated Total Net Debt in respect of any period, the exchange rates used for the determination of Consolidated Total Debt, Consolidated Senior Secured Net Debt and Consolidated Total Net Debt for that relevant period shall be (A) in relation to Indebtedness for which the Restricted Group has entered into cross currency swaps, the rate at which such swap has been entered into and (B) in relation to all other Indebtedness, the exchange rate used in the calculation of Consolidated EBITDA or calculated in accordance with paragraph (i) above.

Notwithstanding anything to the contrary herein, to the extent that the terms of the Senior Secured Notes Indenture require (i) compliance with any financial ratio or test, any Senior Secured Net Leverage Ratio test, any Consolidated Net Leverage Ratio test, any Consolidated Secured Net Leverage Ratio test or any Fixed Charge Coverage Ratio test) and/or any threshold expressed as a percentage of Consolidated EBITDA in connection with the incurrence of Indebtedness, the issuance of Disqualified Equity Interests, the creation of Liens, the making of any Disposition, the making of an Investment, the making of a Restricted Payment, the designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary or the repayment of Indebtedness or Disqualified Equity Interests, (ii) the absence of a Default or Event of Default (or any type of Default or Event of Default) as a condition or (iii) satisfaction of all other conditions precedent to the incurrence of Indebtedness, the issuance of Disqualified Equity Interests, the creation of Liens, the making of any Disposition, the making of an Investment, the making of a Restricted Payment, the designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary or the repayment of Indebtedness or Disqualified Equity Interests, in each case in connection with a Limited Condition Transaction, the determination of such ratio or other provisions, determination of whether any Default or Event of Default has occurred, is continuing or would result therefrom or the satisfaction of any other conditions shall, at the election of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Transaction, an "*LCT Election*", which LCT Election may be in respect of one or more of paragraphs (i), (ii) and (iii) above), be deemed to be the date the definitive agreements (or other relevant definitive documentation) for such Limited Condition Transaction are entered into (the "*LCT Test Date*"). If on a pro forma basis after giving effect to such Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any incurrence or issuance of Indebtedness or Disqualified Equity Interests and the use of proceeds thereof), with such ratios and other provisions calculated as if such Limited Condition Transaction or other transactions had occurred at the beginning of the most recent Relevant Period ending prior to the LCT Test Date, the Issuer could have taken such action on the relevant LCT Test Date in compliance with the applicable ratios or other provisions, such provisions shall be deemed to have been complied with. For the avoidance of doubt, if any of such ratios are exceeded as a result of fluctuations in such ratio including due to fluctuations in Consolidated EBITDA of the Company or the person subject to such acquisition or investment, at or prior to the consummation of the relevant transaction or action, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the relevant transaction or action is permitted to be consummated or taken; *provided* that if such ratios improve as a result of such fluctuations, such improved ratios may be utilized. In connection with any action being taken in connection with a Limited Condition Transaction, for purposes of determining compliance with any provision which requires that no Default, Event of Default or specified Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default, Event of Default or specified Event of Default, as applicable, exists on the date the definitive agreements for such Limited Condition Transaction are entered into.

Subject to the limitations imposed under clause (2) of the third paragraph of the covenant described under "*Limitation on Indebtedness*", if a proposed action, matter, transaction or amount (or a portion thereof) is incurred or entered into pursuant to a fixed permission and at a later time would subsequently be permitted under a ratio-based permission, unless otherwise elected by the Issuer, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based permission.

Events of Default

Each of the following is an "*Event of Default*" under the Senior Secured Notes Indenture:

- (1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company, the Parent, the Issuer or any Significant Subsidiary (or the payment of which is Guaranteed by the Company or any Significant Subsidiary) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),and, in each case, either (i) 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 €40 million or more;
- (5) certain events of bankruptcy, insolvency or court protection of the Holdcos, the Company, the Parent, the Issuer or a Significant Subsidiary (the "*bankruptcy provisions*");
- (6) failure by the Company, the Parent, the Issuer or any Significant Subsidiary to pay final judgments aggregating in excess of €40 million other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the "*judgment default provision*");
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €20 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) any Note Guarantee of the Company, the Parent or a Significant Subsidiary (other than in accordance with the terms of such Note Guarantee, the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations)) is held in any judicial proceeding to be unenforceable or invalid or ceases to be in full force and effect or any Guarantor that is a Significant Subsidiary denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

However, a default under clauses (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Senior Secured Notes under the

Senior Secured Notes Indenture notify the Issuer of the default and, with respect to clauses (4) and (6) the Issuer does not cure such default within 60 days after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered and, if requested, provided to the Trustee indemnity, security or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the 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 30% in principal amount of the outstanding Senior Secured Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered and, if requested, the Trustee has received, the Trustee security, prefunding or indemnity satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security, prefunding or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior Secured Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Senior Secured Notes Indenture will provide that, in the event an Event of Default of which the Trustee has actual knowledge has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes

Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior Secured Notes Indenture, the Trustee will be entitled to indemnification, security or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Secured Note, the Trustee may (without liability for so doing) withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 30 days after any Officer of the Issuer becomes aware of any events which would constitute a Default, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture.

The Senior Secured Notes Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*–Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Senior Secured Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Secured Notes Indenture.

The Senior Secured Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, prefunded or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes). Without the consent of Holders holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding principal amount of the Senior Secured Notes then outstanding, an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Secured Note;
- (3) reduce the principal of or extend the Stated Maturity of any Senior Secured Note;
- (4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described above under "*–Optional Redemption*" and "*–Redemption for Taxation Reasons*";
- (5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;

- (6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Secured Notes on or after the due dates thereof;
- (7) make any change in the provision of the Senior Secured Notes Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release any security interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Guarantor from any of its obligations under its Note Guarantee or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Secured Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person or a co-issuer of the obligations of the Issuer or any Guarantor under any Senior Secured Notes Document, including without limitation, in connection with a Permitted Transaction;
- (3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;
- (4) make any change (including changing the ISIN, Common Code or other identifying number on any Notes) that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Senior Secured Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Secured Notes;
- (6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*", to add Note Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Secured Notes Indenture, the Note Guarantees, the Security Documents or the Senior Secured Notes to any provision of this "*Description of the Senior Secured Notes*" to the extent that such provision in this "*Description of the Senior Secured Notes*" was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Note Guarantees, the Security Documents or the Senior Secured Notes;

- (8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Secured Notes Document;
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Facilities Agreement, in any property which is required by the Security Documents or the Senior Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided that the granting of such security interest is not prohibited by the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “–Certain Covenants–Impairment of Security Interest” is complied with;*
- (10) make any amendment to the provisions of the Senior Secured Notes Indenture relating to the transfer and legending of Senior Secured Notes as permitted by the Senior Secured Notes Indenture, including to facilitate the issuance and administration of Senior Secured Notes; provided, however, that (i) compliance with this Senior Secured Notes Indenture as so amended would not result in Senior Secured Notes being transferred in violation of the U.S. Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Senior Secured Notes in any material respect;
- (11) comply with the rules of any applicable securities depository;
- (12) facilitate any transaction that complies with covenants described under “–Certain Covenants–Limitation on Sales of Assets and Subsidiary Stock” and “–Certain Covenants–Merger and Consolidation”, relating to mergers, consolidations and sales of assets; or
- (13) as provided in “–Certain Covenants–Additional Intercreditor Agreements”.

In connection with such matters, the Trustee shall be entitled to receive and rely absolutely on an Officer’s Certificate and Opinions of Counsel.

The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment of any Senior Secured Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder’s Senior Secured Notes will not be rendered invalid by such tender.

For the avoidance of doubt, no amendment to, or deletion of, or actions taken in compliance with, “–Certain Covenants” or this “–Amendments and Waivers” shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Senior Secured Notes.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clauses (3) and (6) of the third paragraph of this section “–Amendments and Waivers” to add a Guarantor under the Senior Secured Notes Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Senior Secured Notes Indenture need only be duly authorized and executed by the Issuer, the Trustee and the Security Agent (to the extent applicable).

The Senior Secured Notes Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Senior Secured Notes that a responsible officer of the Trustee actually knows are so owned will be so disregarded. For the avoidance of doubt, any Independent Debt Fund shall not be considered to be a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Senior Secured Notes and the Senior Secured Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*Certain Covenants—Merger and Consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*Certain Covenants—Merger and Consolidation*", (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient for the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, *provided*, that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Senior Secured Notes Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "*Applicable Premium Deficit*") only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States, subject to customary assumptions and exclusions, to the effect that Holders of the relevant Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and
- (4) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Secured Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be

discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Senior Secured Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose), money or in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Secured Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be *provided* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of this Senior Secured Notes Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption, and any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption; (3) the Issuer has paid or caused to be paid all other sums payable under the Senior Secured Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer to the Trustee and the Paying Agent, the Trustee, the Paying Agent (or other entity directed, designated or appointed as agent by the Trustee for this purpose) will distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; provided, however, that the Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default of which the Trustee has actual knowledge, the Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Senior Secured Notes Indenture will not be construed as an obligation or duty.

The Senior Secured Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates.

The Senior Secured Notes Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Senior Secured Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Secured Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

Notices

If and for so long as Senior Secured Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, notices of the Issuer with respect to the Senior Secured Notes will be sent to the Exchange. In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders of the Senior Secured Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given through Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Senior Secured Notes and the Note Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Senior Secured Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Secured Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Secured Note or any Note Guarantee of a Senior Secured Note, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Senior Secured Notes on the Exchange and for permission to be granted to deal in the Senior Secured Notes on the Exchange. There can be no assurance that the application to list the Senior Secured Notes on the Exchange will be approved or that permission to deal in the Senior Secured Notes thereon will be granted, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing or permission.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture and the Senior Secured Notes, the Issuer and the Guarantors will in the Senior Secured Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Senior Secured Indenture and the Senior Secured Notes, and the rights and duties of the parties thereunder, will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"Acquired Indebtedness" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (2) assumed in connection with an acquisition of assets, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *"control"* when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms *"controlling"* and *"controlled"* have meanings correlative to the foregoing.

"Agreed Security Principles" means the agreed security principles appended to the Senior Facilities Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Secured Notes in good faith by the Issuer.

"Applicable Premium" means, with respect to any Senior Secured Note the greater of:

- (a) 1% of the principal amount of such Senior Secured Note; and
- (b) the excess (to the extent positive) of:
 - (i) the present value at such redemption date of (A) the redemption price of such Senior Secured Note at _____, 2023 (such redemption price (expressed in

percentage of principal amount) being set forth under the heading “*Optional Redemption*”) (excluding accrued and unpaid interest), plus (B) all required interest payments due on such Senior Secured Note to and including _____, 2023 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Senior Secured Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “*disposition*”) by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition, liquidation or use of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities and the unwinding of any Cash Management Agreements or Hedging Obligations;
- (3) a disposition of inventory, receivables, trading stock, equipment or other assets held for sale or in the ordinary course of business or consistent with past practice;
- (4) a disposition of obsolete, non-core, damaged, retired, surplus, worn out, uneconomic or used equipment or assets or equipment, facilities or other assets that are no longer used or useful or economically practicable or commercially desirable to maintain in the conduct of the business of the Company and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under “*Certain Covenants–Merger and Consolidation*” or a transaction that constitutes a Change of Control or any transaction effected as part of a Permitted Transaction;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of €20 million and 5% of Consolidated EBITDA;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “*Certain Covenants–Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment; or, solely for purposes of the second paragraph of the covenant described under “*Certain Covenants–Limitation on Sales of Assets and Subsidiary Stock*”, asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “*Certain Covenants–Limitation on Liens*”;

- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Company or any Restricted Subsidiary;
- (11) (i) the licensing or sub-licensing of intellectual property or other general intangibles (including the provision of software under an open source license) and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice and (ii) dispositions of intellectual property rights that do not materially and adversely interfere with the business of the Company or any of its Restricted Subsidiaries (or Dispositions that avoid such interference by granting to the Company or any of its Restricted Subsidiaries a license or other ownership rights to use such intellectual property rights);
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;
- (14) the discount or other disposal of inventory, accounts receivable or notes receivable or the conversion of accounts receivable to notes receivable or Investments permitted hereunder, (including, for the avoidance of doubt, factoring of accounts receivables and (i) the sale, conveyance, contribution or other transfer of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" in a Factoring Financing or in factoring or similar transactions and (ii) a transfer, collection and/or compromise of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) by a Receivables Subsidiary or any other Restricted Subsidiary in a Factoring Financing);
- (15) any issuance, sale, pledge or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any issuance, transfer or disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or redeemable Capital Stock that is permitted by the covenant described above under "*Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Company pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;
- (20) sales, transfers or other dispositions of Investments (including Capital Stock) in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

- (21) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and leaseback transactions, asset securitizations and other similar financings permitted by the Senior Secured Notes Indenture;
- (22) dispositions required to be made to comply with the order of any governmental authority, including anti-trust authorities or applicable law or otherwise necessary or advisable in the good faith determination of the Issuer to consummate any acquisition;
- (23) the sale of motor vehicles and information technology equipment purchased at the end of an operating lease and resold thereafter;
- (24) dispositions constituting or the making of which is a Permitted Transaction;
- (25) any dispositions of real property and related assets in the ordinary course of business in connection with relocation activities for directors, officers, members of management, employees or consultants;
- (26) any disposition of stores in the ordinary course of business;
- (27) Permitted Intercompany Activities;
- (28) dispositions of assets acquired pursuant to or in order to effect an acquisition which assets are not used or useful to the core or principal business of the Company and the Restricted Subsidiaries;
- (29) any swap of assets in exchange for services or other assets of comparable or greater value or usefulness to the business of the Company and its Subsidiaries as a whole, as determined in good faith by the management of the Issuer; and
- (30) a disposition of property or assets if the acquisition of such property or assets was financed with Excluded Contributions and the net cash proceeds from such disposition are used to make a Restricted Payment.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "*Certain Covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as a permitted Asset Disposition and/or one of more of the types of Permitted Investments or Investments permitted under "*Certain Covenants—Limitation on Restricted Payments*".

"Associate" means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"Board of Directors" means (1) with respect to the Issuer or any corporation, the board of directors or managers, or sole director as applicable, of the corporation or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the "Board of Directors of the Issuer" under the Senior Secured Notes Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent Entity pursuant to a delegation of powers of the Board of Directors of the Issuer.

"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 (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to _____, 2023; provided, however, that if the period from the redemption date to _____, 2023 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 , 2023 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Munich, Germany or Frankfurt, Germany 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 Stock" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as in effect prior to January 1, 2019; *provided* that the Issuer (in its sole discretion) may elect by notice to the Trustee that leases shall (with effect from the date of such notice or such other date notified to the Trustee) be treated in accordance with IFRS in effect from time to time (such election being an *"IFRS 16 Election"*) and any lease that would have been treated as an operating lease in accordance with IFRS as in effect prior to January 1, 2019 but that is recognized on the balance sheet of a Person solely as a result of changes becoming effective under the Accounting Principles (including IFRS 16 (Leases)) on or after January 1, 2019, (each, a *"Relevant Capitalized Lease Obligation"*) shall be included for all purposes as a Capitalized Lease Obligation from the effective date of the IFRS 16 election. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. The IFRS 16 election shall be one-time and irrevocable.

"Cash Equivalents" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, United States or Canadian governments, a Permissible Jurisdiction, Norway or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a *"Deposit"*) or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Senior Facilities Agreement or by any bank or trust company (a) if at any time since January 1, 2007 the Company or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by the United Kingdom, any state of the United States, any province of Canada, any Permissible Jurisdiction, Norway or Switzerland or any

political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

- (6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United Kingdom, the United States, Canada, a Permissible Jurisdiction, Norway or Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and
- (9) for purposes of clause (2) of the definition of "*Asset Disposition*", the marketable securities portfolio owned by the Company and its Subsidiaries on the Issue Date.

"*Cash Management Services*" means any agreement or arrangement to provide (a) any treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, stored value card, purchase or procurement card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements or (b) any documentary letter of credit, performance bond, advance payment bond or bank guarantee facilities or similar facilities or services in each case issued or provided in respect of the obligations of any member of the Company and its Subsidiaries arising in the ordinary course of business of the Company and its Subsidiaries or consistent with past practice and not for borrowed money.

"*Change of Control*" means the occurrence of any of the following:

- (1) the Company becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the U.S. Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; *provided* that for the purposes of this clause, any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group" of related persons is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Company becoming a direct or indirect Wholly Owned Subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"*CICE*" means the competitive and employment tax credit pursuant to the French 3rd Amended Finance Law for 2012 (*3^{ème} loi de finances rectificative pour 2012*) No. 2012 1510, dated December 29, 2012.

"CIR" means the research tax credit pursuant to, *inter alia*, article 244 quarter B of the French Tax Code (*Code général des impôts*) and any provision implemented in furtherance or replacement thereof.

"Clearstream " means Clearstream Banking, S.A., or any successor securities clearing agency.

"Collateral" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and or thereafter pursuant to any Security Document to secure the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and/or any Note Guarantee.

"Commodity Hedging Agreement" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"Consolidated Depreciation and Amortization Expense" means, with respect to any Person for any period, the total amount of depreciation and amortization expense of such Person, including the amortization of intangible assets, deferred financing fees or costs and capitalized expenditures and fees, including, without limitation, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of capitalized fees related to any Factoring Financing and the amortization of intangible assets and debt issuance costs, commissions, fees and expenses for such period on a consolidated basis and otherwise determined in accordance with the relevant Accounting Principles.

"Consolidated EBITDA" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes and amounts paid to any Parent Entity in respect of any Tax Sharing Agreement, in each case, solely to the extent such amounts were deducted in computing Consolidated Net Income;
- (3) Consolidated Depreciation and Amortization Expense;
- (4) [reserved];
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Senior Secured Notes Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (each in cash whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;
- (6) any minority interest expense or non-controlling interest consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting, transaction and advisory fees (including termination fees and related indemnities and expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*";
- (8) other non-cash charges, expenses or losses, including non-cash losses on the sale of assets and any write offs or write downs reducing such Consolidated Net Income for such period and any non-cash expense relating to the vesting of warrants (provided that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (1) the Issuer may determine not to add back such non-cash charge in the current period and (2) to the extent the Issuer does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period);

- (9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;
- (10) payments received, or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;
- (11) the amount of loss or discount on sale of receivables and related assets of the type specified in the definition of Receivables Financing incurred in connection with a Factoring Financing;
- (12) any charge recorded in connection with CVAE or any amount of CICE or CIR tax credit received or receivable by the Group during such period;
- (13) the amount of "run rate" cost savings, operating expense reductions and/or synergies (excluding revenue synergies) (other than any of the foregoing related to Specified Transactions which will, for the avoidance of doubt, be calculated pursuant to "*Financial Calculations*"), restructuring charges and expenses or other similar adjustments projected by the Issuer in good faith to result from actions taken or expected to be taken no later than 24 months after the end of such period (including from any actions taken in whole or in part prior to the Issue Date) (which run rate cost savings, operating expense reductions and/or synergies shall be calculated on a pro forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined), net of the amount of actual benefits realized during such period from such actions; provided that such cost savings, operating expense reductions and/or synergies are reasonably identifiable and factually supportable; *provided* that any such adjustments made under this clause (13), together with any "run rate" adjustments in respect of Specified Transactions, shall not exceed 20% of Consolidated EBITDA after giving effects to all other adjustments permitted by this definition of "Consolidated EBITDA"; and
- (14) to the extent not already otherwise included herein, adjustments and add-backs (including anticipated synergies) for costs or expenses (or, in each case, similar items) made in calculating "Adjusted EBITDA" and "Management Adjusted EBITDA" (which, with respect to add-backs in the calculation of "Management Adjusted EBITDA", shall only include addbacks related to the "Store Optimization Program", "#ForwardOrganization" and "restructuring sales organization") as contained in this offering memorandum to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated and other adjustments of a similar nature to the foregoing;

provided that subject to any adjustments to account for any Specified Transaction, for any Relevant Period which includes any financial quarter ending on or prior to June 30, 2021, for the purposes of calculating the Consolidated Senior Secured Net Leverage Ratio, Consolidated Secured Net Leverage Ratio, Consolidated Net Leverage Ratio, Fixed Charge Coverage Ratio or compliance with any covenant, basket or ratio hereunder, Consolidated EBITDA shall be deemed to be the following: for the fiscal quarter ended March 31, 2020, €40 million, for the fiscal quarter ended June 30, 2020, €70 million, for the fiscal quarter ended September 30, 2020, €60 million, for the fiscal quarter ended December 31, 2020, €225 million, for the fiscal quarter ended March 31, 2021, €40 million and for the fiscal quarter ended June 30, 2021, €70 million.

"*Consolidated Income Taxes*" means Taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated interest expense of the Company and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);
- (3) non-cash interest expense;

- (4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (5) all dividends or other distributions in respect of all Disqualified Equity Interests of the Company and all Preferred Equity Interests of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;
- (6) the consolidated interest expense that was capitalized during such period; and
- (7) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness and any prepayment premium or penalty, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or, if applicable, purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Senior Secured Notes or the Senior PIK Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS, (v) any tax gross-up on any Indebtedness, which is included in interest expenses under the Accounting Principles, (vi) agency fees paid to the facility agents, security agents and other agents under this Agreement or other credit facilities or debt securities, (vii) any additional interest or liquidated damages with respect to failure to comply with any registration rights agreement owing with respect to any securities, (viii) costs associated with obtaining, unwinding or terminating (including at maturity) Hedging Obligations, (ix) penalties and interest relating to taxes, (x) amortization or expensing of deferred financing fees, amendment and consent fees, debt issuance costs, commissions, fees, expenses and discounted liabilities and any other amounts of non-cash interest, (xi) any expensing of bridge, commitment and other financing fees and any other fees related to any acquisitions after the Issue Date, (xii) commissions, discounts, yield and other fees and charges (including any interest expense) related to any Factoring Financing, (xiii) any lease, rental or other expense in connection with a lease obligation (other than a Capitalized Lease Obligation) and (xiv) any interest expense related to a Guarantee of Indebtedness of any SUN Borrower/Issuer (as defined in the Intercreditor Agreement or Additional Intercreditor Agreement, including the Senior PIK Notes Issuer) Incurred in compliance with the Senior Secured Notes Indenture; *provided* that the interest expense on any Senior Unsecured Proceeds Loan Liability (as defined in the Intercreditor Agreement or Additional Intercreditor Agreement), including the the Senior PIK Notes Proceeds Loan related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount. Consolidated Interest Expense shall not include any interest expense relating to Shareholder Indebtedness or any payment-in-kind interest (whether capitalized or accruing).

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under *"—Certain Covenants—Limitation on Restricted Payments"*, any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Company 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 PIK Notes, the Senior Secured Notes Indenture or the Senior PIK Notes Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Senior Facilities Agreement and the Intercreditor Agreement) and other restrictions with respect to any such Restricted Subsidiary that, taken as a whole, are not materially less

favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, except that the Company’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any (x) restructuring charge, accrual or reserve (or adjustment to existing reserves) deducted in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with the Transactions and other Investments, the temporary (in respect of stores or facilities) or permanent consolidation or closure of any office or facility and (y) cash expenses or charges relating to curtailments or modifications to pension and post retirement employee benefit plans (including any settlement of pension liabilities), litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);
- (5) the amount of costs relating to severance, signing, relocation, recruiting, retention and completion bonuses and other employee related costs, internal costs incurred in each case in respect of any operational restructuring initiatives, future lease commitments and pre-opening, opening, temporary (in respect of stores and facilities) or permanent abandonment, disposal, discontinuance, closing and consolidation costs for stores, facilities and to existing lines of business, transition costs and costs incurred in connection with non-recurring product and intellectual property development, non-recurring e-commerce development and costs, other business optimization expenses (including costs and expenses relating to business optimization programs), and new systems design and implementation costs and project start-up costs, costs associated with tax projects/audits and costs consisting of professional consulting or other fees relating to any of the foregoing, in each case, deducted in such period in computing Consolidated Net Income;
- (6) the cumulative effect of a change in accounting principles;
- (7) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under “*Certain Covenants—Limitation on Restricted Payments*”;
- (8) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (or loss) from any write-off or forgiveness of Indebtedness;
- (9) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;
- (11) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

- (12) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries;
- (13) any goodwill or other intangible asset impairment charge or write-off or write-down; and
- (14) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"Consolidated Net Leverage" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries less cash and Cash Equivalents of the Company and its Restricted Subsidiaries consisting of Indebtedness for borrowed money, unreimbursed obligations in respect of drawn letters of credit, Attributable Indebtedness or purchase money debt and debt obligations evidenced by bonds, debentures, loan agreements, promissory notes or similar instruments; provided that (to the extent otherwise included) Consolidated Net Leverage shall not include Indebtedness in respect of:

- (1) any letter of credit (except to the extent of unreimbursed obligations in respect of such drawn letters of credit) or any bank guarantees (except to the extent of unreimbursed obligations in respect of any payments or disbursements made by a guarantee bank in respect of bank guarantees) provided that any unreimbursed obligations in respect of any drawn letters of credit and any unreimbursed obligations in respect of any payments or disbursements made by a guarantee bank in respect of bank guarantees shall not be counted as Consolidated Net Leverage until thirty Business Days after such amount is drawn (it being understood that any borrowing, whether automatic or otherwise, to fund such reimbursement shall be counted);
- (2) the amount of any liability of pensions obligations and Indebtedness relating to pensions liabilities;
- (3) unless an IFRS 16 election has been made, obligations and Indebtedness under any operating lease and the amount of any liability in respect of any finance or a Capitalized Lease Obligation (including Attributable Indebtedness) which would not, in accordance with the relevant Accounting Principles (as in effect prior to January 1, 2019), be treated as a finance lease or a Capitalized Lease Obligation;
- (4) any amount in respect of Cash Management Obligations;
- (5) obligations under Hedging Obligations;
- (6) Shareholder Indebtedness, Investor Liabilities (as defined in the Intercreditor Agreement) and any other Indebtedness provided by a Parent Entity or other direct or indirect investor in the Company to the Company subordinated to the satisfaction of the Majority Lenders (acting reasonably) or intercompany indebtedness of the Group;
- (7) any Factoring Financing; and
- (8) Unrestricted Subsidiaries.

"Consolidated Net Leverage Ratio" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of such Person for the Relevant Period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) cash shall include all cash at hand or in transit or in tills or payments made by checks or debit cards or credit cards which are yet to be reserved or cleared funds; and
- (2) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the Relevant Period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA; and
- (3) the Consolidated Net Leverage Ratio shall be calculated as set forth under "*Financial Calculations*" above.

"Consolidated Senior Secured Net Leverage" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and Cash Equivalents of the Company and its Restricted Subsidiaries.

"Consolidated Senior Secured Net Leverage Ratio" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available, in each case calculated with such *pro forma* and other adjustments set forth under *"Financial Calculations"* above.

"Consolidated Secured Net Leverage" means the sum of the aggregate outstanding Secured Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and Cash Equivalents of the Company and its Restricted Subsidiaries.

"Consolidated Secured Net Leverage Ratio" means, as of any date of determination, the ratio of (x) Consolidated Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available, in each case calculated with such *pro forma* and other adjustments as set forth under *"Financial Calculations"* above.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (*"primary obligations"*) of any other Person (the *"primary obligor"*), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Facility" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Senior Facilities 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 Facility"* shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"CVAE" means *cotisation sur la valeur ajoutée des entreprises* or any similar tax enacted in replacement or complement thereof.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-Cash Consideration" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under *"—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock"*.

"Designated Preference Shares" means, with respect to the Company or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as *"Designated Preference Shares"* pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clauses (c)(ii) of the first paragraph of the covenant described under *"—Certain Covenants—Limitation on Restricted Payments"*, excluding, for the avoidance of doubt, any Preferred Stock issued as part of the Equity Contribution.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption *"—Certain Covenants—Limitation on Restricted Payments"*. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the 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. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"Equity Contribution" has the meaning given to such term in the section of this Offering Memorandum captioned *"The Transaction"*.

"Equity Offering" means (x) a sale of Capital Stock of a Parent Entity, the Company or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions) other than to the Company or any of its Restricted Subsidiaries, or (y) the sale of Capital Stock or other securities by any Person (other than to the Company or any of its Restricted Subsidiaries), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or any of its Restricted Subsidiaries.

"Escrowed Proceeds" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term *"Escrowed Proceeds"* shall include any interest earned on the amounts held in escrow.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the *"Currency Rates"* section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial

Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"Euroclear" means Euroclear Bank SA/NV or any successor securities clearing agency.

"European Government Obligations" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Senior Secured Notes Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"European Union" means all members of the European Union as of December 31, 2018. For the avoidance of doubt, all references to a "member" of the European Union shall include the United Kingdom.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Company (excluding, for the avoidance of doubt, the Equity Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"Factoring Disposition" means the discount or other disposal of inventory, accounts receivable or notes receivable or the conversion of accounts receivable to notes receivable or Investments permitted hereunder, (including, for the avoidance of doubt, factoring of accounts receivables and (i) the sale, conveyance, contribution or other transfer of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" in a Factoring Financing or in factoring or similar transactions and (ii) a transfer, collection and/or compromise of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) by a Receivables Subsidiary or any other Restricted Subsidiary in a Factoring Financing).

"Factoring Financing" means any Receivables Financing which is in the aggregate economically fair and reasonable (as determined in good faith by Issuer and it being understood that the relevant financing terms, covenants, termination events and other provisions may subsequently be modified so long as such modifications are, at the time of any such modification, in the aggregate economically fair and reasonable) and may include Standard Securitization Undertakings; provided that to the extent such financing is provided with recourse for credit risk to the Issuer or any Guarantor, the maximum aggregate amount of receivables which have been so sold or disposed of and which remain outstanding (other than as a result of a default by the relevant debtor or invalidity of such disposal) on a recourse basis shall not exceed the greater of €40 million and 10% of Consolidated EBITDA. The grant of a security interest in any accounts receivable of Company or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure any Indebtedness shall not be deemed a Factoring Financing.

"fair market value" wherever such term is used in this *"Description of the Senior Secured Notes"* or the Senior Secured Notes Indenture may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or Board of Directors in good faith.

"Fitch" means Fitch Ratings, or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the Relevant Period available to (y) the Fixed Charges of such Person for such Relevant Period

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the Relevant Period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA; and

- (2) the Fixed Charge Coverage Ratio shall be calculated as set forth under "*Financial Calculations*" above.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Interest Expense of such Person for such period and Receivables Fees for such period; plus
- (2) all cash dividends (excluding items eliminated in consolidation) on or in respect of all Disqualified Stock of the Company or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to the Company or a Restricted Subsidiary.

"*Founders*" means Henning Kreke and (a) his parents or spouse and/or any of Henning Kreke's, his spouse's or his parents' respective direct descendants; or (b) any trust, corporation, partnership, limited liability company or other entity (each an "*investment vehicle*") in relation to which any one or more of Henning Kreke and/or any of the persons specified in paragraph (a) above is (i) a beneficiary or (ii) a shareholder, partner, member or other person controlling such investment vehicle. For the purposes of this definition, "*controlling*" means (A) holding more than 50.1% of the shares or other instruments issued by such investment vehicle and/or (B) being entitled, directly or indirectly, to give directions with respect to the operating and financial policies of such investment vehicle with which the directors or other equivalent officers of such investment vehicle are obliged to comply.

"*German HoldCo*" means any HoldCo that qualifies as German resident (*Inländer*) in the meaning of section 2 paragraph 15 of the German Foreign Trade Act (*Außenwirtschaftsgesetz*).

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term "*Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. The term "*Guarantee*" used as a verb has a corresponding meaning.

"*Guarantor*" means any Person that Guarantees the Senior Secured Notes in accordance with the provisions of the Senior Secured Notes Indenture, and their respective successors and assigns, in each case, until the Senior Secured Note Guarantee of such Person has been released in accordance with the provisions of the Senior Secured Notes Indenture.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holdco*" means (a) for so long as they are the direct shareholders of the Company, KBI and KB2KG; and (b) any replacement holding company referred to in paragraph (ii) of the definition of "*Holdco*" in the Intercreditor Agreement

"*Holder*" means each Person in whose name the Senior Secured Notes are registered on the Registrar's books, which shall initially be the common depositary for the accounts of Euroclear and Clearstream or its nominee.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed from time to time by the European Union or any variation thereof with which the

Company or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS from time to time.

"Incur" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for, and the terms *"Incurred"* and *"Incurrence"* have meanings correlative to the foregoing; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and any Indebtedness pursuant to any revolving credit, bridge or similar facility shall only be *"Incurred"* at the time any funds are borrowed thereunder.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons);
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term *"Indebtedness"* shall not include (i) Subordinated Shareholder Funding, (ii) other than as expressly set out in the Senior Secured Notes Indenture (including with respect to Relevant Capitalized Lease Obligations following an IFRS 16 election), any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect prior to the adoption of IFRS 16, (iii) prepayments of deposits received from clients or customers in the ordinary course of business or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit, bridge or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Secured Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of any Factoring Financing and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (2) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;
- (3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (4) Indebtedness of any Parent Entity appearing on the balance sheet of the Company solely by reason of push down accounting under IFRS;
- (5) Capital Stock (other than Disqualified Stock of the Company and Preferred Stock of a Restricted Subsidiary);
- (6) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, that complies with "*–Merger and Consolidation–The Issuer*" and "*–Merger and Consolidation–The Guarantors*";
- (7) any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity between Restricted Subsidiaries solely for corporate income tax or value added tax purposes in any jurisdiction of which the Company or a Restricted Subsidiary is or becomes a member;
- (8) liabilities in relation to the minority interests line in the balance sheet of the Company or any Restricted Subsidiary; or.
- (9) in the case of such Person and its Restricted Subsidiaries, exclude intercompany loans and advances having a term not exceeding 364 days (inclusive of any roll over or extensions of terms) and made in the ordinary course of business.

"Independent Debt Fund" means any trust, fund or other entity which has been established primarily for the purpose of purchasing or investing in loans or debt securities (but which has not been formed specifically with a view to investing in the Senior Secured Notes or the Senior PIK Notes) and which is managed independently from all other trusts, funds or other entities managed or controlled by an Initial Investor or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of companies (and, for the avoidance of doubt, but without limitation, an entity trust or fund shall be treated as being managed independently from all other trusts, funds, or other entities managed or controlled by an Initial Investor or any of its Affiliates, if it has a different general partner (or equivalent)).

"Independent Financial Advisor" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; provided, however, that such firm or appraiser is not an Affiliate of the Company.

"Initial Investors" means CVC Capital Partners SICAV-FIS S.A and each of its Subsidiaries from time to time and CVC Capital Partners Advisory Group Holding Foundation and each of its Subsidiaries from time to time and/or investment funds or vehicles advised or managed by any of the foregoing ("*CVC Funds*") and/or any investors or limited partners in the CVC Funds on the Issue Date (but excluding, in each case, any portfolio companies in which CVC Funds hold an interest and CVC Credit Partners Group Holding Foundation and each of its subsidiaries from time to time and any funds or entities advised or managed by them from time to time) (collectively, the "*Sponsor*") and the Founders.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Company or any Parent Entity or any successor of the Company 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 dated on or about the Issue Date, by and among, inter alios, the Issuer, the Security Agent and the Trustee, as amended from time to time.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption *"—Certain Covenants—Limitation on Restricted Payments"*.

For purposes of *"—Certain Covenants—Limitation on Restricted Payments"*:

- (1) *"Investment"* will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Investment Grade Securities" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, United States, or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of "BBB-" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries;
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

- (5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Senior Secured Notes receive any two or more of the following:

- (1) a rating of "BBB-" or higher from S&P;
- (2) a rating of "Baa3" or higher from Moody's, and
- (3) a rating of "BBB-" or higher from Fitch,

or the equivalent of such rating by either such rating organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"*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 , 2021.

"*Issuer*" means Douglas GmbH.

"*KB2KG*" means Kirk Beauty 2 Beteiligungs GmbH & Co. KG.

"*KBI*" means Kirk Beauty International S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 20, avenue Monterey, L-2163 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 197553.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Transaction*" means (1) the consummation of any transaction in connection with any acquisition or similar Investment (including the assumption or incurrence of Indebtedness) and/or (2) the making of any Restricted Payment or Permitted Payment.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, independent contractors, employees or consultants of any Parent Entity, the Company or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €15 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of the Company or its Subsidiaries who subsequently invest directly or indirectly in the Company from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Company or its Subsidiaries for future redistribution to the management team of the Company or its Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of any Parent Entity, the Company and its Restricted Subsidiaries.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Moody's " means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) the U.S. Exchange Act.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"Note Guarantee" means the guarantee by any Guarantor of the Issuer's obligations under the Senior Secured Notes Indenture and the Senior Secured Notes.

"Offering Memorandum" means this offering memorandum in relation to the Senior Secured Notes.

"Officer" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by the Officer of the Company or any other Restricted Subsidiary who has been delegated such authority by the Board of Directors of the Issuer.

"Officer's Certificate" means, with respect to any Person, a certificate signed by one Officer of such Person.

"Opinion of Counsel" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"Parent" means Kirk Beauty One GmbH.

"Parent Entity" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any Holding Companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity.

"Parent Expenses" means:

- (1) 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 Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the U.S. Securities Act or the U.S. Exchange Act;
- (2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;
- (3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;
- (4) fees and expenses payable by any Parent Entity in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, of the Company and its Restricted Subsidiaries by any Parent Entity, (c) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Entity;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent Entity or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, in an amount not to exceed €5 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes, including payments pursuant to any Tax Sharing Agreement among the Company as dominated entity and a German HoldCo as dominating entity (*herrschendes Unternehmen*) required under applicable law and the applicable Tax Sharing Agreement; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amounts required to discharge tax liabilities relating to corporate income tax and trade tax incurred by reference to the income of the Company and any Restricted Subsidiary; and
- (8) expenses Incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:
 - (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;
 - (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or
 - (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Pari Passu Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is a Guarantor which does not constitute Subordinated Indebtedness.

"Paying Agent" means any Person authorized by the Issuer to pay the principal, interest and premium and Additional Amounts, if any, on any Senior Secured Note on behalf of the Issuer.

"Permissible Jurisdiction" means the United Kingdom and any member state of the European Union.

"Permitted Collateral Liens" means Liens on the Collateral:

- (a) that are described in one or more of clauses (2), (3), (4), (5), (6), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;
- (b) to secure:
 - (i) the Senior Secured Notes (other than any Additional Senior Secured Notes);
 - (ii) Secured Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" to the extent incurred by the Issuer or a Guarantor or another Restricted Subsidiary that is an Obligor (as defined therein) under the Senior Facilities Agreement;
 - (iii) Indebtedness described under clause (1) of the definition of "Permitted Debt", to the extent Incurred by the Issuer or a Guarantor or another Restricted Subsidiary that is an Obligor (as defined therein) under the Senior Facilities Agreement;
 - (iv) Indebtedness described under clause (2) of the definition of "Permitted Debt", to the extent Incurred by the Issuer or a Guarantor and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Collateral pursuant to this definition of Permitted Collateral Liens;
 - (v) Indebtedness described under paragraph (a) of clause (4) of the definition of "Permitted Debt";
 - (vi) Indebtedness described under clause (5) of the definition of "Permitted Debt" Incurred by the Issuer or a Guarantor or another Restricted Subsidiary that is an Obligor (as defined therein) under the Senior Facilities Agreement;
 - (vii) Indebtedness described under clause (6) of the definition of "Permitted Debt" (other than with respect to Commodity Hedging Agreements) or Indebtedness described under clause (8)(d) of the definition of "Permitted Debt" under Cash Management Agreements;
 - (viii) Indebtedness described under clause (7) (other than with respect to Capitalized Lease Obligations), (12) or (13) of the definition of "Permitted Debt"; and
 - (ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii);

provided that, (A) other than as set forth below, with respect to any Indebtedness referred to in this clause (b), such Lien must rank *pari passu* with, or junior to (or, in the case of Secured Indebtedness that is not Senior Secured Indebtedness and that is secured pursuant to clauses (ii) or (vi) above, junior to), the Liens on the Collateral securing the Obligations under the Senior Secured Notes and the Note Guarantees and (B) each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and *provided further that*:

- (I) following a debt refinancing of the Senior Secured Facilities, Indebtedness described in (X) clause (iii) of this definition (limited to an aggregate amount not to exceed the greater of €200 million and 50% of Consolidated EBITDA (measured at the time at which commitments for such facility are obtained (in case of a revolving facility) or the date on which such Indebtedness is Incurred (in the case of other Indebtedness)) and (Y) clause (vii) of this definition (in the case of Hedging Obligations only, to the extent such Hedging Obligations are entered into for the

purposes of hedging any interest rate exposure and/or any foreign exchange exposure under Indebtedness permitted under the Senior Secured Notes Indenture that is subject to the Intercreditor Agreement or any Additional Intercreditor Agreement)); and

(II) Super Senior State Supported Debt

may receive super priority status in respect of the proceeds from the enforcement of Collateral;

- (c) to secure Indebtedness constituting "Senior Unsecured Liabilities" under the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided* that such security is granted on a junior priority basis; and
- (d) that are fixed charges incurred to secure Capitalized Lease Obligations covering only the assets acquired with or financed by such Indebtedness; and
- (e) Incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of €20 million and 5% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Company's or such Restricted Subsidiary's business.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Holders" means, collectively, (1) the Sponsor, (2) the Founders, (3) the Management Investors, (4) any Related Person of any Persons specified in clause (1) or (3), (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Company, acting in such capacity and (6) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the U.S. Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Capital Stock of the Company or any of its direct or indirect Parent Entities held by such group. Any Person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Intercompany Activities" means any transactions (a) between or among the Company and its Restricted Subsidiaries that are entered into in the ordinary course of business of the Company and its Restricted Subsidiaries and, in the good faith judgment of the Issuer are necessary or advisable in connection with the ownership or operation of the business of the Company and its Restricted Subsidiaries, including, but not limited to, (i) payroll, cash management, purchasing, insurance and hedging arrangements, (ii) management, technology and licensing arrangements and (iii) customer loyalty and rewards programs and (b) between or among the Company, its Restricted Subsidiaries, any captive insurance subsidiaries and/or any employee benefit trust (or similar scheme).

"Permitted Investment" means (in each case, by the Company or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

- (4) Investments in or relating to a Receivables Subsidiary or any Investment by a Receivables Subsidiary or any other Restricted Subsidiary in any other person in connection with a Factoring Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Factoring Financing, any contribution of replacement or substitute assets to such subsidiary, or any related Indebtedness in connection therewith;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances and any advances or loans not to exceed the greater of €20 million and 5% of Consolidated EBITDA at any one time outstanding to 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 Capital Stock (other than Disqualified Stock) of the Company or a Parent Entity of the Company;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*Certain Covenants—Limitation on Indebtedness*";
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €60 million and 15% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or consistent with past practice or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*Certain Covenants—Limitation on Liens*";
- (13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*" except for this described in clauses (1), (3), (8) or (9) and (12);
- (15) Guarantees not prohibited by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business or consistent with past practice;

- (16) Investments in loans under the Senior Facilities Agreement, the Senior Secured Notes and any Additional Senior Secured Notes;
- (17) Investments acquired after the Issue Date as a result of the acquisition by the Company or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*–Certain Covenants–Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (18) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements that are related to the Company's or any Restricted Subsidiary's business;
- (19) Permitted Intercompany Activities;
- (20) Investments constituting or the making of which is a Permitted Transaction;
- (21) Investments by the Company or a Restricted Subsidiary in Joint Ventures, taken together with all other Investments made pursuant this paragraph (21) and at any time outstanding, in aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments), without giving effect to subsequent changes in value, not to exceed the greater of €60 million and 15% of Consolidated EBITDA;
- (22) Investments by the Company or a Restricted Subsidiary in Unrestricted Subsidiaries, taken together with all other Investments made pursuant this paragraph (22) and at any time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash or marketable securities (until such proceeds are converted to Cash Equivalents), in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments), without giving effect to subsequent changes in value, not to exceed the greater of €60 million and 15% of Consolidated EBITDA;
- (23) Investments by the Company or a Restricted Subsidiary in Persons engaged in similar business as the Company and the Restricted Subsidiaries, taken together with all other Investments made pursuant this paragraph (23) and at any time outstanding, in aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments), without giving effect to subsequent changes in value, not to exceed the greater of €60 million and 15% of Consolidated EBITDA; provided, however, that if any Investment pursuant to this paragraph (23) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such investment shall thereafter be deemed to have been made pursuant to paragraph (c) above and shall cease to have been made pursuant to this paragraph (gg); and
- (24) Investments in or constituting Cash Management Agreements.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be Incurred solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investment, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"*Permitted Liens*" means, with respect to any Person:

- (1) Liens on assets or property of any direct or indirect Restricted Subsidiary of the Company that is not a Guarantor securing Indebtedness of any direct or indirect Restricted Subsidiary of the Company that is not a Guarantor permitted by the covenant described under "*–Certain Covenants–Limitation on Indebtedness*";
- (2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance

arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business or consistent with past practice;

- (3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Company or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations or any Cash Management Agreement;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business or consistent with past practice;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under "*Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

- (13) Liens existing on, or provided for or required to be granted under written agreements existing on the Issue Date;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of the Company or any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (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 on accounts receivable and related assets incurred in connection with a Factoring Financing;
- (22) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;
- (23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Company or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens on Capital Stock or other securities, property or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

- (26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "*Cash Equivalents*" in connection with the disposal thereof to a third party;
- (27) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Secured Notes, and (b) Liens pursuant to the Intercreditor Agreement;
- (28) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (28) does not exceed the greater of €80 million and 20% of Consolidated EBITDA;
- (29) 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;
- (30) Liens or assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";
- (31) Liens securing Indebtedness or other obligations of a Receivables Subsidiary; and
- (32) Liens created or subsisting in order to secure any pensions liabilities or partial retirement liabilities.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Transaction" means:

- (1) any disposal required, indebtedness incurred, guarantee, indemnity, security or quasi-security given, or other transaction arising, under, pursuant to or in accordance with the Transactions;
- (2) any merger, reorganisation, dissolution or liquidation permitted by the covenant described under "*—Certain Covenants—Merger and Consolidation*";
- (3) any step, circumstance, event or transaction as part of a customary debt pushdown or an IPO Debt Pushdown;
- (4) the Transactions and any payments or other transaction contemplated by or relating to the Transactions (and any intermediate steps or actions necessary to implement the Transactions), and any steps, payments or transactions in connection with the funding of the Senior Facilities Agreement or the issuance of the Senior Secured Notes and/or a rollover or exchange of commitments or participations or Indebtedness in relation to the Senior Facilities Agreement or the Senior Secured Notes; and
- (5) any conversion of a loan, credit or any other indebtedness outstanding into distributable reserves, share capital, share premium or other equity interests of any member of the Restricted Group or any other capitalization, forgiveness, waiver, release or other discharge of any loan, credit or other Indebtedness of any member of the Restricted Group, in each case on a cashless basis.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the U.S. Securities Act or (2) a private placement to

institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"Public Market" means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"Public Offering" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

"Purchase Money Obligations" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person who is not a Restricted Subsidiary, in connection with a Factoring Disposition.

"Receivables Financing" any transaction or series of transactions that may be entered into by the Company or any Subsidiary of the Company pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to a Receivables Subsidiary or any other person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Factoring Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a wholly owned Restricted Subsidiary of the Company (or another person formed for the purposes of engaging in a Factoring Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the board of directors of the Issuer as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) has recourse to or obligates the Company or any other Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Company nor any other Subsidiary of the Company has any material contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Subsidiary than those that might be obtained at the time from persons that are not Affiliates of the Company; and

- (3) to which neither the Company nor any other Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"refinance" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances"*, *"refinanced"* and *"refinancing"* as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Senior Secured Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"Related Person" with respect to any Permitted Holder, means:

- (1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"Related Taxes" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and

(y) withholding imposed on payments made by any Parent Entity), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);
- (b) issuing or holding Subordinated Shareholder Funding;
- (c) being a Holding Company, directly or indirectly, of the Company or any of the Company's Subsidiaries;
- (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or
- (e) having made any payment with respect to any of the items for which the Company is permitted to make payments to any Parent Entity pursuant to "*Certain Covenants—Limitation on Restricted Payments*".

"*Relevant Period*" means: (a) if ending on the last day of a fiscal quarter, each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter; or (b) if ending on the last day of a calendar month or any other date not being the last day of a fiscal quarter, the period of 12 consecutive months ending on the last day of a calendar month or such other appropriate date.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Company's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or an Officer of the Issuer are reasonably related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*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.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Indebtedness*" means, with respect to any Person as of any date of determination,
(a) Consolidated Net Leverage that is secured by a Lien on the Collateral securing the Senior Secured Notes or the Note Guarantees (other than to the extent only secured with Liens on "*Senior Unsecured Shared Security*" (as defined in the Intercreditor Agreement)) and any Refinancing Indebtedness in respect thereof plus
(b) following an IFRS 16 Election, Relevant Capitalized Lease Obligations.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Senior Secured Notes Indenture.

"*Senior Credit Facilities*" means the term and revolving facilities made available under the Senior Facilities Agreement.

"*Senior Facilities Agreement*" means the senior facilities agreement dated _____, 2021 that the Issuer has entered into with, *inter alios*, Deutsche Bank AG, London Branch, as agent and security agent and Deutsche Bank AG, London Branch, Goldman Sachs Bank Europe SE, BNP Paribas SA, UBS Europe SE and UniCredit Bank AG as lead arrangers, as the same may be amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Senior PIK Notes*" has the meaning given to such term under "*Description of the Senior PIK Notes*" in this Offering Memorandum.

"Senior PIK Notes Proceeds Loan" means the €300 million loan to be made under the loan agreement to be entered into on the Issue Date between the Senior PIK Notes Issuer, as lender, and the Company, as borrower, and any loans to be made after the Issue Date under such agreement, in each case pursuant to which the gross proceeds of the issuance of the Senior PIK Notes have been or will be advanced to the Company, as amended, accreted or partially repaid from time to time.

"Senior Secured Indebtedness" means, with respect to any Person as of any date of determination, (a) Consolidated Net Leverage that is secured by a Lien on the Collateral that ranks *pari passu* with or senior to the Senior Secured Notes or the Note Guarantees and any Refinancing Indebtedness in respect thereof plus (b) following an IFRS 16 Election, Relevant Capitalized Lease Obligations.

"Senior Secured Notes Documents" means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"Significant Subsidiary" means (a) any Restricted Subsidiary or group of Restricted Subsidiaries (taken together) whose proportionate share of Consolidated EBITDA exceeds 10% of the Consolidated EBITDA by reference to the latest financial statements delivered to Holders and (b) any other Restricted Subsidiary that is a TLB Borrower under and as defined in the Senior Facilities Agreement.

"Similar Business" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"Specified Transaction" means any Investment that results in a Person becoming a Restricted Subsidiary, any designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary, any Disposition, acquisition of assets, merger, amalgamation, consolidation or disposed, ceased or discontinued operations, any incurrence or repayment of Indebtedness (other than Indebtedness incurred or repaid under any revolving credit facility in the ordinary course of business for working capital purposes), Restricted Payment, Subsidiary designation, Change of Control or other event that by the terms of the Senior Secured Notes Indenture requires a test of an incurrence-based permission, test, ratio, threshold, basket or any Default, Event of Default or other breach of the Senior Secured Notes Indenture.

"Specified Change of Control Event" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio would have been less than 4.75 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Secured Notes Indenture after the Issue Date.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in *"–Change of Control"* and the covenant under *"–Certain Covenants–Limitation on Sales of Assets and Subsidiary Stock"*, to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Indebtedness" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Secured Notes or any Note Guarantee pursuant to a written agreement.

"Subordinated Shareholder Funding" means, collectively, any funds provided to the Company by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the six-month anniversary of the Stated Maturity of the

Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

- (2) does not require, prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and
- (5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "*Investor Liabilities*" (as defined therein).

"*Subsidiary*" means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
 - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
 - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Super Senior State Supported Debt*" means Indebtedness in an aggregate principal amount not to exceed €100 million ranking *pari passu* with the Senior Secured Notes but senior to the Senior Secured Notes in respect of proceeds of enforcement of the Security Interests in the Collateral where such Indebtedness is primarily for liquidity purposes and provided pursuant to or otherwise in connection with a government support scheme or other state-backed financing arrangement (including for the avoidance of doubt any amount of such Indebtedness that is provided by a bank or other financial institution pursuant to or otherwise in connection with the relevant scheme or arrangement but which pursuant to the terms of the relevant scheme or arrangement does not benefit from any direct or indirect government or state support).

"*Tax Sharing Agreement*" means any tax sharing agreement and/or profit and loss pooling agreement (*Ergebnisabführungsvertrag*) and/or domination agreement (*Beherrschungsvertrag*) entered into between the Company as dominated entity and a German HoldCo as dominating entity (*herrschendes Unternehmen*) in

order to establish a fiscal unity (*Organschaft*) between the Company and a German HoldCo, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and this Agreement, and any arrangements or transactions made between the Company and a German HoldCo in order to satisfy the obligations of the Company or a German HoldCo under any such Tax Sharing Agreement (including, for the avoidance of doubt, upstream loans and distribution of profits or capital reserves from the Company to a German HoldCo to enable such German HoldCo to compensate the Company for losses incurred which may need to be compensated by such German HoldCo under any profit and loss pooling agreement and/or domination agreement).

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and collection duties with respect thereto) that are imposed by any government or other taxing authority.

"Temporary Cash Investments" means any of the following:

- (1) any investment in:
 - (a) direct obligations of, or obligations Guaranteed by, (i) the United Kingdom, the United States or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or
 - (b) direct obligations of any country recognized by the United States rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
 - (a) any lender under the Senior Facilities Agreement;
 - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (7) below; or
 - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United Kingdom, United States, Canada, any Permissible Jurisdiction, Norway or Switzerland or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (6) bills of exchange issued in the United Kingdom, United States, Canada, a Permissible Jurisdiction, Norway, Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940.

"Transactions" has the meaning given to such term in this Offering Memorandum under the captions "Summary—The Transaction" and "Summary—Post-Closing Reorganization" and all corporate and other actions to be taken by the Company and its Restricted Subsidiaries related thereto.

"Uniform Commercial Code" means the New York Uniform Commercial Code.

"Unrestricted Subsidiary" means:

- (1) any Subsidiary of the Company (other than the Issuer and the Parent) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Company (other than the Issuer and the Parent) (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (a) no Default or Event of Default would result therefrom and (b) (x) the Company could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"U.S. Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"U.S. GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

DESCRIPTION OF THE SENIOR PIK NOTES

You will find definitions of certain capitalized terms used in this “Description of the Senior PIK Notes” under the heading “—Certain Definitions”. For purposes of this “Description of the Senior PIK Notes”, references to the “Issuer” refer to Blitz D21-543 (to be renamed Kirk Beauty SUN GmbH on or around the Issue Date) only and not to any of its Subsidiaries.

The Issuer will issue €300 million aggregate principal amount of Senior PIK Notes due 2026 (the “Senior PIK Notes”) under an indenture to be dated as of the Issue Date (the “Senior PIK Notes Indenture”), among, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the “Trustee”), Deutsche Bank AG, London Branch, as security agent (the “Security Agent”), paying agent (the “Paying Agent”) and transfer agent (the “Transfer Agent”), and Deutsche Bank Luxembourg S.A., as registrar (the “Registrar”) and transfer agent (the “Transfer Agent”), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Senior PIK Notes Indenture will not be qualified under, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior PIK Notes Indenture and the Senior PIK Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior PIK Notes Indenture, the Senior PIK Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior PIK Notes.

The proceeds of the offering of the Senior PIK Notes sold on the Issue Date will be used by the Issuer, together with the proceeds from the offering of the Senior Secured Notes, amounts borrowed under the Senior Credit Facilities and the Equity Contribution, to (i) fund the redemption of the Existing Senior Secured Notes and Existing Senior Notes; (ii) repay all amounts outstanding under the Existing Senior Secured Facilities; and (iii) pay fees and expenses incurred in connection therewith, as set forth in this Offering Memorandum under the caption “Use of Proceeds”.

Upon the initial issuance of the Senior PIK Notes, the Senior PIK Notes will be obligations of the Issuer and will be guaranteed on a senior subordinated basis by Kirk Beauty Two GmbH (the “Company”), Kirk Beauty One GmbH (the “Parent”), Douglas GmbH (the “Senior Secured Notes Issuer”), Kirk Beauty Netherlands B.V., Parfümerie Douglas International GmbH, Parfümerie Douglas GmbH, Douglas Finance B.V. and Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG. (the “Issue Date Guarantors”). The Senior PIK Notes Indenture will require (subject to the Agreed Security Principles) that on or prior to the date falling (a) on the later of the date on which such entity provides a guarantee of the Senior Credit Facilities and 30 days after the Issue Date and (b) on the later of the date on which such entity provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date, as applicable, certain of the Company’s subsidiaries will become a party to the Senior PIK Notes Indenture and guarantee the Senior PIK Notes on a senior subordinated basis (the “Post-Closing Subsidiary Guarantors”). The Senior PIK Notes Indenture will require that on or prior to November 30, 2021 and only if Post-Closing Reorganization has not been completed, either a newly-incorporated company that will initially be the direct subsidiary of KBI (“KB A”) or KBI (together with KB A, the Issue Date Guarantors and the Post-Closing Subsidiary Guarantors, the “Guarantors”), whichever is the direct parent company of the Company, will become a party to the Senior PIK Notes Indenture and guarantee the Senior PIK Notes on a senior basis.

The aggregate principal amount of Senior PIK Notes issued in this offering will be €300 million. We may issue an unlimited principal amount of additional Senior PIK Notes from time to time after this offering having identical terms and conditions as the Senior PIK Notes (the “Additional Senior PIK Notes”). We will only be permitted to issue Additional Senior PIK Notes in compliance with the covenants contained in the Senior PIK Notes Indenture, including the covenant restricting the Incurrence of Indebtedness and the covenant restricting the Incurrence of Liens (as described below under “—Certain Covenants—Limitation on Indebtedness” and “—Certain Covenants—Limitation on Liens”, respectively). Except with respect to right of payment and optional redemption, and except as otherwise provided in the Senior PIK Notes Indenture, the Senior PIK Notes issued on the Issue Date and any Additional Senior PIK Notes subsequently issued under the Senior PIK Notes Indenture will be treated as a single class for all purposes under the Senior PIK Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. If the Additional Senior PIK Notes are not fungible with the Senior PIK Notes issued on the Issue Date for U.S. federal income tax purposes, the Additional Senior PIK Notes will be issued with separate ISIN codes or common codes, as applicable. Unless the context otherwise requires, in this “Description of the Senior PIK Notes”, references to the “Senior PIK Notes” include the Senior PIK Notes and any Additional Senior PIK Notes that are actually issued.

The Senior PIK Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements. The terms of the Intercreditor Agreement are important to understanding the relative ranking of Indebtedness and security, the ability to make payments in respect of the Indebtedness, the procedures for undertaking enforcement action, the subordination of certain Indebtedness, turnover

obligations, release of security and guarantees and the payment waterfall for amounts received by the Security Agent. See *"Description of Certain Financing Arrangements–Intercreditor Agreement"* for a description of certain terms of the Intercreditor Agreement.

The registered Holder of a Senior PIK Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior PIK Notes Indenture.

Brief Description of the Senior PIK Notes and the Note Guarantees

The Senior PIK Notes

The Senior PIK Notes will:

- be general senior obligations of the Issuer;
- be secured as set forth under *"–Security"*;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior PIK Notes, including the Issuer's Guarantee of the Senior Secured Notes and the Issuer's Guarantee of the Senior Facilities Agreement;
- rank senior in right of payment to any future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior PIK Notes;
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior PIK Notes or that is secured on a first-priority basis over property and assets that secure the Senior PIK Notes on a second-priority basis (including the Senior Secured Notes and Indebtedness Incurred under the Senior Facilities Agreement), to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Issue Date Guarantors as of the Issue Date and required to be guaranteed by the Post-Closing Subsidiary Guarantors, as described under *"–Note Guarantees"*;
- be guaranteed by KB A or KBI, if the Post-Closing Reorganization has not been completed on or prior to November 30, 2021, as described under *"–Note Guarantees"*;
- be structurally subordinated to all Indebtedness and obligations of the Issuer and its Subsidiaries that are not Guarantors; and
- mature on _____, 2026.

The Senior PIK Notes will be represented by one or more registered Senior PIK Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes. See *"Book-Entry, Delivery and Form"*.

Following the Closing Date, we intend that the Senior Secured Notes Issuer merges with the Company and the Parent, pursuant to which the Company will be the surviving entity and will acquire all of the rights and assets, and will assume all of the obligations, of the Senior Secured Notes Issuer, including all rights and obligations under the Note Guarantee of the Senior Secured Notes Issuer (the *"Post-Closing Mergers"*). Furthermore, we intend that KB A will become the direct parent of the Issuer and the Issuer will become the direct parent of the Company on or before November 30, 2021. See *"The Transactions–Post-Closing Reorganization"*.

The Note Guarantees

The Senior PIK Notes will be guaranteed by Issue Date Guarantors on the Issue Date. Subject to the Agreed Security Principles, the Senior PIK Notes Indenture will also require the Issuer to cause as soon as reasonably practicable and in any event on or prior to the date falling (a) on the later of the date on which the relevant Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 30 days after the Issue Date and (b) on the later of the date on which the relevant Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date, as applicable, the relevant Post-Closing Subsidiary Guarantors to guarantee the Senior PIK Notes.

Upon the completion of Post-Closing Mergers, the Note Guarantees of the Company and the Parent and all intercompany loans between these entities will be extinguished. As a result, the Company will become the successor Senior Secured Notes Issuer will assume all of the obligations of the Senior Secured Notes Issuer, including all rights and obligations under the Note Guarantee of the Senior Secured Notes Issuer. There is no requirement for us to complete the Post-Closing Mergers and failure to do so will not be an event of default under the Senior PIK Notes and the Senior PIK Notes Indenture.

Following the completion of the Post-Closing Mergers, KBI intends to undertake the Post-Closing Reorganization. On or prior to November 30, 2021 and only if the Post-Closing Reorganization has not been completed, KB A or KBI, whichever is the direct parent company of the Company at such time, will guarantee the Senior PIK Notes, in either case as described below.

In addition, if required by the covenant described under “*Certain Covenants—Additional Guarantees*”, certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor (other than a Note Guarantee granted by KB A or KBI, if any) will:

- be a general, joint and several, senior subordinated obligation of that Guarantor;
- be secured as set forth under “*Security*”;
- be subordinated in right of payment to any existing and future senior Indebtedness of that Guarantor, including that Guarantor’s guarantee of the Senior Secured Notes and Indebtedness Incurred under the Senior Facilities Agreement;
- rank *pari passu* in right of payment with any future senior subordinated Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee;
- rank senior in right of payment to all existing and future Indebtedness of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee; and
- be effectively subordinated to any existing and future Indebtedness of that Guarantor that is secured by property and assets that do not secure its Note Guarantee, or that is secured on a first-priority basis over property and assets that secure such Note Guarantee on a second-priority basis (including that Guarantors’ guarantee of the Senior Secured Notes and Indebtedness Incurred under the Senior Facilities Agreement), to the extent of the value of the property and assets securing such Indebtedness.

A Note Guarantees of either of KB A or KBI, if any, will:

- be a general, joint and several, senior obligation of KB A and KBI;
- be secured as set forth under “*Security*”;
- rank *pari passu* in right of payment with any future Indebtedness of KB A and KBI that is not expressly subordinated in right of payment to such Note Guarantee;
- rank senior in right of payment to all existing and future Indebtedness of KB A and KBI that is expressly subordinated in right of payment to such Note Guarantee; and
- be effectively subordinated to any existing and future Indebtedness of KB A and KBI that is secured by property and assets that do not secure its Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see “*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*”. By virtue of these limitations, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior PIK Notes. See also “*Risk Factors—Risks Related to our Structure—The insolvency laws of Germany and the respective jurisdictions of incorporation of 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.*”

General

As of the Issue Date, the Company and all of the Company's Subsidiaries will be "*Restricted Subsidiaries*" for purposes of the Senior PIK Notes Indenture. However, under the circumstances described below under the caption "*—Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate before completion of the Post-Closing Reorganization certain Subsidiaries of the Company and after completion of the Post-Closing Reorganization, certain of its Subsidiaries as "*Unrestricted Subsidiaries*". None of the restrictive covenants in the Senior PIK Notes Indenture will apply to Unrestricted Subsidiaries and no future Unrestricted Subsidiary will guarantee the Senior PIK Notes.

As of the Issue Date, the Issuer will be a subsidiary of KBI and will have no material assets (other than the Proceeds Loan) and no liabilities (other than those incurred in connection with its incorporation and the Transaction). Following completion of the Post-Closing Reorganization, all of 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 PIK Notes.

Not all of the Company's Subsidiaries will guarantee the Senior PIK Notes. Any right of the Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's bankruptcy, liquidation or reorganization (and the consequent right of the Holders of Senior PIK Notes to participate in those assets) will be structurally subordinated to that non-guarantor Subsidiary's Indebtedness and other obligations (including trade payables, preference shares and lease obligations, if any), 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 effectively subordinated to any obligations secured over the assets of the non-guarantor Subsidiary and subordinated in right of payment to any Indebtedness of the non-guarantor Subsidiary that is senior to the claims held by the Issuer or such Guarantor. See "*Risk Factors—Risks Relating to our Structure—The Issuer is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees.*" For the twelve-month period ended December 31, 2020, the Guarantors (excluding the Company, which is a holding company with no revenue-generating activities of its own and does not have any business operations, material assets (other than the shares it owns in its subsidiaries and intragroup receivables) or liabilities (other than intragroup liabilities that will be extinguished following completion of the Post-Closing Mergers) represented 37.3% of the consolidated total assets, 48.5% of the consolidated sales and 50.0% of the consolidated Adjusted EBITDA of the Group.

Subordination on the Basis of the Intercreditor Agreement

The Note Guarantees (other than any Note Guarantee granted by KB A and KBI) are senior subordinated indebtedness, which means that, pursuant to the terms of the Senior PIK Notes Indenture and the Intercreditor Agreement, such Note Guarantees rank behind, and are expressly subordinated to, all the existing and future Senior Indebtedness of the Guarantors (other than KB A and KBI), including any obligations under the Senior Facilities 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 (other than KB A) 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 Note Guarantees and the collateral securing the Senior PIK Notes and Note Guarantees are subject to release under certain circumstances, including, but not limited to, the sale of the Senior Secured Notes Issuer pursuant to an enforcement of security over shares of the Senior Secured Notes Issuer 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 PIK 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 PIK Notes after the repayment in full of all Senior Indebtedness.

Principal and Maturity

The Issuer will issue €300 million in aggregate principal amount of Senior PIK Notes on the Issue Date. The Senior PIK Notes will mature on _____, 2026. The Senior PIK Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof.

Interest

Interest on the Senior PIK Notes will accrue at the rate of _____ % per annum with respect to interest payments paid in cash ("*Cash Interest*") or _____ % per annum with respect to interest paid in kind by increasing the principal amount of the outstanding Senior PIK Notes or issuing Additional Senior PIK Notes ("*PIK Interest*"). Interest on the Senior PIK 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 arrears on _____ and _____, commencing on _____, 2021;
- be payable to the Holder of record of such Senior PIK Notes on the Business Day immediately preceding each interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate principal amount outstanding.

Interest payments for each interest period may be made as Cash Interest or PIK Interest, at the Issuer's sole option.

The Issuer will inform the Paying Agent and the Trustee of any election to pay Cash Interest or PIK Interest with respect to each interest period by delivering a notice to the Paying Agent, with a copy to the Trustee and the Registrar, at least three Business Day prior to the commencement of the relevant interest period, specifying the amount of Cash Interest or PIK Interest, as applicable, to be paid. For the avoidance of doubt, interest on the Senior PIK Notes shall be paid in 100% PIK Interest unless the Issuer makes an election to pay Cash Interest, and failure by the Issuer to inform the Trustee and the Paying Agent or deliver such a notice as set forth in this paragraph shall not require the Issuer to pay any Cash Interest.

With respect to the final interest period ending at the Stated Maturity of the Senior PIK Notes or upon any redemption of the Senior PIK Notes, accrued and unpaid interest shall be payable in Cash Interest.

The rights of Holders to receive the payments of interest on such Senior PIK Notes are subject to the applicable procedures of the common depositary and Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Senior PIK Notes

Principal, Cash Interest and premium and Additional Amounts, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a common depositary for Euroclear and Clearstream, or its nominee, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, Cash Interest and premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, Cash Interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by wire transfer to the person entitled thereto as shown on the register of Holders of Senior PIK Notes for the Definitive Registered Notes. See "*–Paying Agent and Registrar for the Senior PIK Notes*".

In the event that the Issuer elects to pay all or part of the interest on the Senior PIK Notes as PIK Interest, such PIK Interest shall be paid as follows:

- with respect to Senior PIK Notes represented by one or more Global Notes, (a) by increasing the aggregate principal amount of the outstanding Global Notes in accordance with the procedures of the relevant clearing system, effective as of the applicable interest payment date, by an amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest €1.00), or (b) if required, by issuing a new Global Note, dated as of the applicable interest payment date, in an aggregate principal amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest €1.00), executed by the Issuer, authenticated by the Trustee pursuant to an authentication order issued by the Issuer under the Senior PIK Notes Indenture and delivered by the Trustee for issuance to the Holders on the relevant record date in accordance with the procedures of the relevant clearing system; and
- with respect to Senior PIK Notes represented by Definitive Registered Notes, by issuing Senior PIK Notes in the form of Definitive Registered Notes, dated as of the applicable interest payment date, in an aggregate principal amount equal to the amount of PIK Interest for the applicable interest period (rounded down to the nearest €1.00), executed by the Issuer, authenticated by the Trustee pursuant to an authentication order issued by the Issuer under the Senior PIK Notes Indenture and delivered by the Trustee in the form of Definitive Registered Notes for original issuance to the Holders on the relevant record date, as shown by the records of the register of Holders.

Following an increase in the principal amount of the outstanding Global Notes as a result of a payment of PIK Interest, the Global Notes will bear interest on such increased principal amount from and after the applicable interest payment date. Any Senior PIK Notes issued in the form of Definitive Registered Notes will be dated as of the first date of the following interest period and will bear interest from and after such date. Senior PIK Notes issued pursuant to a payment of PIK Interest will have identical terms to the originally issued Senior PIK Notes except interest on such Senior PIK Notes will begin to accrue from the date they are issued rather than the Issue Date.

Paying Agent and Registrar for the Senior PIK Notes

The Issuer will maintain one or more Paying Agents for the Senior PIK Notes. The initial Paying Agent will be Deutsche Bank AG, London Branch.

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar, the Paying Agent and Transfer Agent, as applicable, will maintain a register reflecting ownership of the Senior PIK Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Senior PIK Notes on behalf of the Issuer.

The Issuer may change the Paying Agent, Registrar or Transfer Agent for the Senior PIK Notes without prior notice to the Holders of Senior PIK Notes. However, for so long as Senior PIK Notes are listed on the Official List of The International Stock Exchange Authority Limited (the "*Exchange*") and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior PIK Notes.

Transfer and Exchange

The Senior PIK Notes will be issued in global registered form without interest coupons, as follows:

- Senior PIK 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 "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Senior PIK 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 Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the Senior PIK Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior PIK Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S.

Securities Act 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 any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1 in excess thereof, in each case upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior PIK Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior PIK 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 PIK Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1 in excess thereof. In connection with any such transfer or exchange, the Senior PIK Notes Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior PIK Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of Senior PIK Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior PIK 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 PIK Notes; or
- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holders of Senior PIK Notes as the owners thereof for all purposes.

Note Guarantees

General

The Senior PIK Notes will be guaranteed by the Company, Kirk Beauty One GmbH, Douglas GmbH, Kirk Beauty Netherlands B.V., Parfümerie Douglas International GmbH, Parfümerie Douglas GmbH, Douglas Finance B.V. and Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG. on the Issue Date. Subject to the Agreed Security Principles, the Senior PIK Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling on the later of the date on which the relevant Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 30 days after the Issue Date (in respect of Post-Closing Guarantors incorporated in Germany or the Netherlands) or on the later of the date on which such Post-Closing Guarantor provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date (in respect of Post-Closing Guarantors incorporated in Poland) after the Issue Date, certain subsidiaries of the Issuer that also guarantee the Senior Secured Notes (the “*Post-Closing Subsidiary Guarantors*”) to guarantee the Senior PIK Notes on a senior subordinated basis. The Post-Closing Guarantors will be Kirk Beauty Netherlands Holding B.V., Parfümerie Douglas Deutschland GmbH, Douglas Grundstücks-und Verwaltungsgesellschaft Zossen mbH, Douglas Marken-und Lizenzen GmbH & Co. KG,

Parfumerie Douglas Nederland B.V., Douglas Investment B.V. and "Douglas Polska" sp. z o.o. In addition, subject to the Agreed Security Principles, the Senior PIK Notes Indenture will also require the Issuer to cause on or prior to November 30, 2021 and only if the Post-Closing Reorganization has not been completed, the direct parent company of the Company which will be either KB A or KBI, to guarantee the Senior PIK Notes on a senior basis.

Releases of Note Guarantees

The Note Guarantee of any Guarantor will be automatically and unconditionally released and discharged:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a Holding Company) or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the covenant described below "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and the Guarantor ceases to be a Restricted Subsidiary of the Company (prior to the Post-Closing Reorganization) or Issuer (following the completion of the Post-Closing Reorganization), as applicable, as a result of the sale or other disposition;
- upon the designation in accordance with the Senior PIK Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior PIK Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- as described in the covenant described below under "*—Certain Covenants—Additional Guarantees*";
- as described under "*—Merger and Consolidation—The Guarantors*";
- upon the release of the Guarantee and any other of Indebtedness that resulted in the creation of the relevant Note Guarantee under the covenant described below under "*—Certain Covenants—Additional Guarantees*" so long as no Event of Default would arise as a result and no other Indebtedness of the Issuer or any Guarantor at that time is Guaranteed by the relevant Guarantor;
- if such Guarantor is subject to or part of a Permitted Transaction, including the release upon the completion of the Post-Closing Reorganization, of any Note Guarantees of KBI or KB A; or
- upon redemption of all of the Senior PIK Notes.

The Trustee and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by (and at the expense of) the Issuer to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications including the delivery of a customary Officer's Certificate and Opinion of Counsel. The Trustee shall be entitled to rely on such Officer's Certificate and Opinion of Counsel absolutely and without further enquiry. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Security

General

On the Issue Date, the Senior PIK Notes and the Note Guarantees will be secured by security interests over the following assets: (a) first-priority security interest over the issued share capital of the Issuer and any intercompany receivables owed by the Issuer to KBI (the "*Senior PIK Notes Only Collateral*"), (b) a second-priority security interest over the Proceeds Loan and (c) a second-priority security interest over the issued share capital of the Company and any intercompany receivables owed by the Company to KBI and KB 2 KG (the assets described in clauses (b) and (c) being the "*Shared Collateral*" and together with the Senior PIK Notes Only Collateral, the "*Collateral*").

The Senior PIK Notes Indenture will also require the Issuer to cause, on or prior to November 30, 2021 and only if the Post-Closing Reorganization has not been completed, the Senior PIK Notes to be secured by first-priority security interests over the shares of KBI (the "*Holding Share Collateral*") and such additional security shall constitute Senior PIK Notes Only Collateral.

In connection with the Post-Closing Reorganization, certain of the collateral will be released and new security will be granted to give effect to the new structure. In particular, as part of the Post-Closing Reorganization, KB A, will initially be the direct subsidiary of KBI, will replace KBI as the new direct parent of the Issuer and the Company and subsequently, that the Issuer will replace KB A as the new direct parent of the Company. In connection with such steps, KB A will assume the obligations of the Company under certain shareholder loans and consequently, the security granted over the related receivable in favor of the Senior PIK Notes will be released.

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Senior PIK Notes and holders of the other secured obligations that are secured by the Collateral. Any additional security interests that may in the future be pledged to secure obligations under the Senior PIK Notes and the Note Guarantees would also constitute Collateral.

Subject to certain conditions, including compliance with the covenants described under "*Certain Covenants—Impairment of Security Interest*" and "*Certain Covenants—Limitation on Liens*", the Issuer, the Company and their respective Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with certain future issuances of Indebtedness of the Issuer, the Company and their respective Restricted Subsidiaries, including any Additional Senior PIK Notes, in each case, as permitted under the Senior PIK Notes Indenture and the Intercreditor Agreement.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests*".

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of Senior PIK Notes and the creditors of other obligations secured thereby. No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the offering of the Senior PIK Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes—The collateral may not be sufficient to secure the obligations under the Notes*."

Priority

The Senior PIK Notes will be secured on an exclusive basis, subject to Permitted Collateral Liens, by the Senior PIK Notes Only Collateral.

The relative priority with regard to the security interests in the Shared Collateral that are created by the Security Documents (the "*Security Interests*") as between (a) the lenders under the Senior Facilities Agreement, (b) the counterparties under certain Hedging Obligations and Cash Management Agreements, (c) the Trustee, the Security Agent and the Holders of the Senior PIK Notes under the Senior PIK Notes Indenture (d) the trustee, the security agent and the holders of the Senior Secured Notes under the Senior Secured Notes Indenture and (e) certain other credit representatives, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Senior Facilities Agreement and the Senior Secured Notes are secured by a security interest on a first-priority basis in the Shared Collateral and that the obligations under the Senior PIK Notes are secured by a security interest on a second-priority basis in the Shared Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Security Documents

Under the Security Documents, the Issuer, KBI and any other security provider will grant security over the Collateral to secure the payment when due of, among others, the Issuer's and the Guarantors' payment obligations under the Senior PIK Notes, the Note Guarantees and the Senior PIK Notes Indenture. The Security Documents have been or will be entered into by, among others as the case may be, the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents,

the Security Agent will act in its own name, but for the benefit of the secured parties (including the Trustee and the Holders of Senior PIK Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Senior Facilities Agreement, the holders of the Senior Secured Notes and the counterparties under certain Hedging Obligations and Cash Management Agreements in relation to the Security Interests created in favor of such parties.

The Senior PIK Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior PIK Notes and the Note Guarantees, as applicable, will be secured by the Security Interests in the Collateral. However, the Security Interests with respect to the Senior PIK Notes and the Note Guarantees may be released under certain circumstances as provided under “—Release of Liens” below. See “—Enforcement of Security Interests” and “Risk Factors—Risks Related to our Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Note Guarantees will be released automatically, without your consent or the consent of the relevant Trustee”. The validity and enforceability of the Security Interests will be subject to, *inter alios*, the limitations described in “Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests”.

Holders of the Senior PIK Notes may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders of the Senior PIK Notes may only act through the Security Agent in accordance with the terms of the Senior PIK Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement. Due to the laws and other jurisprudence governing the creation and perfection of security interests in certain jurisdictions, the Intercreditor Agreement will provide for the creation of “parallel debt” obligations in favor of the Security Agent, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Senior PIK Notes, the Note Guarantees and the other secured obligations arising in connection with the Senior PIK Notes). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. 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.”

In the event that the Issuer, the Company or any of their respective Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders of the Senior PIK Notes might not be able to recover any amounts under the Security Documents. See “Risk Factors—Risks Related to the Notes—It may be difficult to realize the value of the collateral securing the Notes.”

Subject to the terms of the Senior PIK Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer, KBI and any security provider will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior PIK Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Issuer that is part of the Collateral).

Enforcement of Security Interest; Limitations

The Intercreditor Agreement restricts the ability of the Trustee or the holders of Senior PIK Notes to instruct the Security Agent to take enforcement action in relation to the Shared Collateral and provides for the release of Security Interests over Shared Collateral created by the Security Documents upon a disposal of Shared Collateral which is being effected (a) by way of an enforcement of Security Interests over the Shared Collateral; (b) at the request of an instructing group of senior secured creditors in circumstances where the Security Interests over the Shared Collateral have become enforceable; or (c) by a member of the Group or a Holding Company of a member of the Group to a person outside of the Group following an acceleration of the Senior Facilities Agreement, the Senior Secured Notes, the Senior PIK Notes or any other indebtedness ranking *pari passu* with any of the foregoing. In general, the rights of the Security Agent (acting on its behalf or on behalf of the holders of the Senior Notes) to take enforcement action under the Security Documents in respect of the Shared Collateral are subject to certain standstill provisions and other limitations on enforcement. The ability of the holders of Senior PIK Notes to enforce Security Interests in the Shared Collateral may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Shared Collateral in compliance with the Senior PIK Indenture and the Intercreditor Agreement.

The lenders under the Senior Facilities Agreement, the holders of Senior Secured Notes, the counterparties to Hedging Obligations secured by the Shared Collateral and the Trustee have, and, by accepting a Senior PIK Note, each Holder will be deemed to have, appointed, the Security Agent to act as its

agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, and by accepting a Senior PIK Note, each Holder will be deemed to have authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

The restrictions under the Intercreditor Agreement do not restrict the ability of the Security Agent (acting on its behalf and on behalf of the holders of the Senior PIK Notes and any future Pari Passu Indebtedness of the Issuer) to take enforcement action in respect of the Senior PIK Notes Only Collateral or against the Issuer in respect of its obligations under the Senior PIK Notes Indenture.

Intercreditor Agreement; Additional Intercreditor Agreements; Security Documents; Agreement to be Bound

The Senior PIK Notes Indenture will provide that each Holder of the Senior PIK Notes, by accepting such Senior PIK Note, will be deemed to have:

- (1) consented and agreed to the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the covenant described under “*Certain Covenants—Additional Intercreditor Agreements*” (including, without limitation, the provisions providing for foreclosure and release of the Collateral and authorizing the Security Agent to enter into the Security Documents on its behalf), as the same may be in effect or may be amended from time to time in accordance with its terms;
- (2) authorized the Trustee and the Security Agent, as applicable, to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith; and
- (3) have appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreement.

Please see “*Description of Certain Financing Arrangements—Intercreditor Agreement*”.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the covenant described under “*Certain Covenants—Additional Intercreditor Agreements*”.

Release of Liens

The Issuer and any security provider will be entitled to release Security Interests in respect of the Collateral owned by it or by any such Guarantor under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of Collateral (other than Security Interests in respect any of the Capital Stock of the Company (prior to the completion of the Post-Closing Reorganization only) or the Issuer (the “*Company Share Collateral*”) or any Holding Share Collateral to (a) a Person that is not the Issuer, the Company or a Restricted Subsidiary of the Issuer or the Company, as applicable, (but excluding any transaction subject to “*Certain Covenants—Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described below under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or (b) any Restricted Subsidiary that is not a Guarantor; *provided* that nothing in this clause (1) shall restrict the release of Security Interests in respect of the Company Share Collateral or the Holding Share Collateral (x) to the extent that substantially concurrently with such release, Liens over the Company Share Collateral or Holding Share Collateral, as applicable, having equivalent ranking as prior to such release are granted for the benefit of the Holders on substantially the same terms as the initial Security Interest or (y) in connection with the Post-Closing Reorganization.
- (2) other than in respect of Company Share Collateral or Holding Share Collateral, in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior PIK Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under “*Amendments and Waivers*”;

- (4) upon payment in full of principal, interest and all other obligations on the Senior PIK Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior PIK Notes, as provided in “*Defeasance*” and “*Satisfaction and Discharge*”;
- (5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior PIK Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;
- (6) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale of such property or assets, which may include Collateral, pursuant to a Factoring Transaction;
- (8) as permitted by the covenant described under “*Certain Covenants—Impairment of Security Interest*” (or, in the case of the Company Share Collateral or Holding Share Collateral, that would be permitted by such covenant were it to apply to the security providers of such Company Share Collateral or Holding Share Collateral, as applicable); or
- (9) as otherwise permitted in accordance with the Senior PIK Notes Indenture;
- (10) if required to effect a Permitted Transaction; or
- (11) upon redemption of all of the Senior PIK Notes.

In addition, the Company Share Collateral shall be permitted to be released in connection with the Post-Closing Reorganization provided that any replacement Holdco has granted a security interest over the shares that it owns in the Company. Further, the Security Interests in respect of the entire Capital Stock of the Company, the Parent and/or the Issuer, as applicable, shall be permitted to be released within a reasonable time to facilitate an Initial Public Offering in which any of the Company, the Parent or the Issuer is the IPO Entity; *provided* that no Security Interests over the Capital Stock of any Restricted Subsidiary of the IPO Entity may be released in reliance on this provision and *provided further* that such Security Interests so released shall be promptly granted in favor of the Senior PIK Notes in the event that the Initial Public Offering is abandoned or does not complete for any reason.

The Security Agent and the Trustee (to the extent action is required by it in order to effectuate such release) will take all necessary action reasonably requested by the Issuer to effectuate any release of Collateral securing the Senior PIK Notes and the Note Guarantees, in accordance with the provisions of the Senior PIK Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders of Senior PIK Notes or any action on the part of the Trustee (unless action is required by it to effect such release).

The Proceeds Loan

On the Issue Date, the Issuer will loan the gross proceeds of the offering of the Senior PIK Notes issued on the Issue Date to the Company (the “*Proceeds Loan*”) pursuant to a proceeds loan agreement (the “*Proceeds Loan Agreement*”). The Proceeds Loan Agreement will provide that the Company will pay to the Issuer Cash Interest and principal as, and to the extent that, it becomes payable on the Senior PIK Notes (including any additional amounts due thereunder). The Proceeds Loan will bear interest at a rate at least equal to the interest rate of the Senior PIK Notes and interest on the Proceeds Loan will be payable semi-annually in arrears (i) if Cash Interest is payable under the Senior PIK Notes, at least one, and no more than five, Business Days prior to the corresponding Cash Interest payment under the Senior PIK Notes and (ii) if PIK Interest is payable under the Senior PIK Notes on the corresponding interest payment date. Principal payments of the Proceeds Loan will be payable at least one, and no more than five, Business Days prior to a corresponding payment of the Issuer to redeem or defease the Senior PIK Notes or as consideration payable under a Change of Control Offer or Asset Disposition Offer (each as defined below), each in accordance with the Senior PIK Notes Indenture. The Company may on-lend a portion of the Proceeds Loan to certain of its Subsidiaries to repay Indebtedness of those Subsidiaries.

The terms of the Proceeds Loan Agreement and any agreement governing such onlending of portions of the Proceeds Loan will permit the prepayment of all such loans in whole or in part at any time. As a result, the initial amount of the Proceeds Loan and such on-lending may be reduced, potentially to zero, prior to the maturity of the Senior PIK Notes. Payments by the Company and any subsequent borrower under the Proceeds Loan will be subject to significant restrictions imposed by the Intercreditor Agreement. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*”.

The Proceeds Loan will be pledged on a second-priority basis to secure the obligations of the Issuer and the Guarantors under the Senior PIK Notes and the Note Guarantees and will secure, on a first priority basis, the Senior Secured Notes and Senior Credit Facilities.

IPO Debt Pushdown

On or following an Initial Public Offering (an “*IPO Event*”) (or in contemplation of an IPO Event with respect to the release of Collateral if required to implement such IPO Event), the Issuer shall be entitled to require (by written notice to the Trustee (a “*Pushdown Notice*”)) that the terms of the Senior PIK Notes Documents shall operate (with effect from the date specified in the relevant Pushdown Notice (the “*Pushdown Date*”)) on the basis that:

- (1) references to the Issuer, the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time;
- (2) all financial ratio calculations, basket calculations and financial definitions shall exclude any parent entity of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity;
- (3) each reference in the Senior PIK Notes Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the Issuer shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise); and provided that nothing in this paragraph, including the deeming construct contemplated by this sub-clause (3) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Issuer, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking, covenant or other term in the Senior PIK Notes Indenture, the Senior Facilities Agreement, the Intercreditor Agreement any Additional Intercreditor Agreement or the other collateral documents or a Default or an Event of Default;
- (4) none of the representations, warranties, undertakings, covenants or Events of Default, as applicable, in the Senior PIK Notes Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor in respect of the Senior PIK Notes or otherwise);
- (5) no event, matter or circumstance relating to any Parent Entity of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking, covenant or other term in the Senior PIK Notes Documents or a Default or an Event of Default;
- (6) the obligations of the Issuer under the Senior PIK Notes will be (and will be deemed to have been) novated or otherwise transferred to the IPO Pushdown Entity (or, subject to the third paragraph of this section “*–IPO Debt Pushdown*” below, to the Restricted Subsidiary of the IPO Pushdown Entity set forth therein); *provided that* such member of the Pushdown Group is incorporated in the same jurisdiction as the Issuer;
- (7) each Parent Entity of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations and restrictions under the Senior PIK Notes Documents and any security granted by any such Parent Entity;
- (8) each Parent Entity of the IPO Pushdown Entity that had been party to the Senior Secured Notes Documents, and each Subsidiary of such Parent Entity that is not the IPO Pushdown Entity or a Subsidiary thereof, will not, on the Pushdown Date after giving pro forma effect thereto, have any assets (other than shares in its subsidiaries and intercompany receivables) that are material to, or reasonably necessary for the operation of, the business of the Company and its Restricted Subsidiaries;
- (9) unless otherwise notified by the Issuer: (A) each Person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as a “HoldCo” or “Investor” (as such terms are defined in the Intercreditor Agreement) (each in such capacity, a “*Released Person*”) shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement or any Additional Intercreditor Agreement (and from the date specified by the Issuer, that Person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) in the applicable capacity as a Released Person and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) in that capacity); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement as a Released Person; and
- (10) in the event that any Person is released from or ceases to be or become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as a Released Person as

a consequence of this paragraph, any term of the Senior PIK Notes Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any Person be a Released Person or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply.

The Trustee, the Security Agent and any other agents party thereto shall, at the request of the Issuer and without the consent of Holders, enter into any amendment or supplement to, release of, or replacement of, the Senior PIK Notes Indenture, the Intercreditor Agreement or any Security Documents required by the Issuer and/or take such other action as is requested by the Issuer in order to facilitate or reflect any of the matters contemplated by the first paragraph of this covenant (collectively, an “*IPO Pushdown*”); provided, that such amendment, replacement or other document or instrument will not impose any personal obligations on the Trustee, the Security Agent and any other agents party thereto or adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee, the Security Agent or any other agents party thereto under the Senior PIK Notes Indenture, Intercreditor Agreement or Security Documents. The Trustee, the Security Agent and any other agents party thereto are each irrevocably authorized and instructed by the Holders of the Senior PIK Notes (without any consent by the Holders of the Senior PIK Notes) to execute any such amended, released or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of the Issuer).

For the purpose of this covenant, the “*IPO Pushdown Entity*” shall be any Restricted Subsidiary or a Parent Entity of the Company notified to the Trustee by the Issuer in writing as the Person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event; *provided*, that the IPO Pushdown Entity shall be the entity that will issue shares, or whose shares are to be sold, pursuant to that IPO Event and *provided further* that either the Listed Entity shall be the Issuer or a direct subsidiary of the Listed Entity specified by the Company in the Pushdown Notice shall become the Issuer.

If the Issuer delivers a Pushdown Notice to the Trustee pursuant to the first paragraph of this covenant in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph: (i) the provisions of clauses (1) to (10) of the first paragraph of this covenant shall cease to apply in relation to that Pushdown Notice; (ii) if any Collateral has been released pursuant to the foregoing paragraphs in reliance on that Pushdown Notice, subject to the Agreed Security Principles, the Issuer, the Company or the relevant Restricted Subsidiary will as soon as reasonably practicable execute a replacement Security Document in respect of that Collateral; and (iii) if any Person party to the Intercreditor Agreement in the capacity of a Released Person has been released from the Intercreditor Agreement pursuant to clauses (9) or (10) of the first paragraph or the third paragraph of this covenant in reliance on that Pushdown Notice, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement as the applicable Released Person. For the avoidance of doubt: (A) nothing in this paragraph shall prohibit or otherwise restrict the Issuer from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Senior PIK Notes Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Optional Redemption

Senior PIK Notes

Except as described below and except as described under “–Redemption for Taxation Reasons”, the Senior PIK Notes are not redeemable until _____, 2023.

On and after _____, 2023 the Issuer may redeem all or, from time to time, part of the Senior PIK Notes at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if redeemed during the twelve-month period beginning on of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2023	%
2024	%
2025 and thereafter	100.000%

At any time and from time to time prior to _____, 2023 the Issuer may redeem up to 40% of the aggregate principal amount of the Senior PIK Notes (including any PIK Interest and the principal amount of any Additional Senior PIK Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of _____ % of the principal amount of the Senior PIK Notes redeemed, plus accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) at least 50% of the original principal amount of the Senior PIK Notes issued under the Senior PIK Notes Indenture (excluding any PIK Interest and Additional Senior PIK Notes) remains outstanding immediately after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time and from time to time prior to _____, 2023 the Issuer may redeem all or, from time to time, a part of any Senior PIK Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Senior PIK Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior PIK Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest (paid at the rate of Cash Interest) will be paid to the Person in whose name the Senior PIK Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior PIK Notes are subject to redemption by the Issuer.

In connection with any tender offer for the Senior PIK Notes, including a Change of Control Offer or Asset Disposition Offer, if Holders of not less than 90% in aggregate principal amount of the outstanding Senior PIK Notes validly tender and do not withdraw such Senior PIK Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of such Issuer, purchases all of the Senior PIK Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase date, to redeem all Senior PIK Notes, in whole or in part, that remain outstanding following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer plus, to the extent not included in the tender offer payment, accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, thereon, to, but excluding, the date of such redemption. Without prejudice to any provision of the Senior PIK Notes Indenture regarding Senior PIK Notes deemed not to be outstanding for voting purposes if held by the Issuer or its Affiliates, in determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Senior PIK Notes have validly tendered and not validly withdrawn Senior PIK Notes in a tender offer, including a Change of Control Offer or Asset Disposition Offer, Senior PIK Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer and such determination.

Notice of any redemption of the Senior PIK Notes may, at the Issuer's discretion, be given prior to the completion of a transaction (including an Equity Offering, an Incurrence of Indebtedness, a Change of Control, and Asset Disposition or other transaction) and any redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption or repurchase date may be delayed until such time (including more than 60 days after the date the notice of redemption or offer to purchase was sent) as any or all such conditions shall be satisfied (or waived by the Issuer in their sole discretion), or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in their sole discretion) by the redemption or purchase date, or by the redemption or purchase date as so delayed, or that such notice may be rescinded at any time in the Issuer's sole discretion if the Issuer determines

that any or all of such conditions will not be satisfied or waived. In addition, the Issuer may provide in such notice that payment of the redemption or purchase price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

The Issuer may redeem Senior PIK Notes pursuant to one or more of the relevant provisions in the Senior PIK Notes Indenture, and a single notice of redemption may be delivered with respect to redemptions made pursuant to different provisions. Any such notice may provide that redemptions made pursuant to different provisions will have different redemption dates.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior PIK Notes.

Selection and Notice

If less than all of the Senior PIK Notes is to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts in compliance with their existing requirements and practices, or if the Senior PIK Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, selection will be made on a *pro rata* basis by way of pool factor (or, in the case of Senior PIK 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); *provided, however*, that no such partial redemption shall reduce the outstanding aggregate principal amount of any Senior PIK Note not redeemed to less than €100,000. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

Notices of redemption will be delivered electronically or mailed by first-class mail, postage prepaid, at least 10 days but not more than 60 days before the redemption date to each Holder of Senior PIK Notes to be redeemed at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a legal or covenant defeasance of the Senior PIK Notes or a satisfaction and discharge of the Senior PIK Notes Indenture.

If and for so long as any Senior PIK Notes are listed on the Exchange and if and to the extent the rules of the Exchange so require, the Issuers will notify the Exchange of any such notice to the Holders of the Senior PIK Notes and, in connection with any redemption, the Issuers will notify the Exchange of any change in the principal amount of Senior PIK Notes outstanding.

If any Senior PIK Note is to be redeemed in part only, the notice of redemption that relates to that Senior PIK Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior PIK Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior PIK Notes or portions of Senior PIK Notes called for redemption.

If the due date for any redemption payment in respect of the Senior PIK Notes is not a business day in the place of payment (or from where the payment will be made), payment shall be made on the next succeeding day that is a business day and no interest shall accrue in the intervening period.

Redemption for Taxation Reasons

The Issuer may redeem the Senior PIK Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Senior PIK Notes (with a copy to the Trustee and the Paying Agents) (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (paid at the rate of Cash Interest), if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

- (2) any amendment to, or change in an official application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice or revenue guidance) (each of the foregoing in clauses (1) and (2), a “*Change in Tax Law*”),

a Payor (as defined below) is, or on the next interest payment date in respect of the Senior PIK Notes would be, required to pay Additional Amounts with respect to the Senior PIK Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be formally announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior PIK Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior PIK Notes Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Senior PIK Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under “–*Selection and Notice*”. Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any Senior PIK Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor (as defined below) has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a “*Payor*”) in respect of the Senior PIK Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Senior PIK Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or
- (2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a “*Relevant Taxing Jurisdiction*”),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Senior PIK Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each Holder in respect of such payments on any such Senior PIK Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from

the acquisition, ownership or holding of such Senior PIK Note or the receipt of any payment or the exercise or enforcement of rights under such Senior PIK Note, the Senior PIK Notes Indenture or a Note Guarantee;

- (2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior PIK Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;
- (3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Senior PIK Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Senior PIK Notes or any Note Guarantee;
- (5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;
- (6) any Taxes imposed in connection with a Senior PIK Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior PIK Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;
- (7) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or
- (8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Senior PIK Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Senior PIK Notes directly.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate or other reasonable evidence stating that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Senior PIK Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior PIK Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely, without further inquiry, on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior PIK Notes Indenture, the Senior PIK Notes or this “Description of the Senior PIK Notes” there is mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a purchase of Senior PIK Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Senior PIK Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holders, the Trustee, the Paying Agent, the Transfer Agent and the Registrar for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of, or receipt of payments with respect to, any Senior PIK Notes, any Note Guarantee, the Senior PIK Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior PIK Notes after this offering and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Senior PIK Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (8)).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior PIK Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior PIK Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading “Change of Control”, each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1 in excess thereof, *provided* that Senior PIK Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder’s Senior PIK Notes at a purchase price in cash equal to 101% of the principal amount of the Senior PIK Notes repurchased, plus accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any Senior PIK Notes as described under this heading “Change of Control”, in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior PIK Notes and given notice of redemption as described under “Optional Redemption” and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior PIK Notes and given notice of redemption as described under “Optional Redemption” and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the “Change of Control Offer”) to the Paying Agent or tender agent for such Change of Control Offer, as applicable (with a copy to the Trustee) who will send such notice to each Holder of any Senior PIK Notes:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder’s Senior PIK Notes at a purchase price in cash equal to 101% of the principal amount of such Senior PIK Notes plus accrued and unpaid interest (paid at the rate of Cash Interest) and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “Change of Control Payment”);
- (2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the “Change of Control Payment Date”);

- (3) stating that any Senior PIK Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Senior PIK Notes repurchased; and
- (6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior PIK Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Senior PIK Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Senior PIK Notes or portions of the Senior PIK Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Senior PIK Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent or tender agent for such Change of Control Offer, as applicable, will promptly mail or deliver to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior PIK Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail or deliver (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior PIK Notes surrendered, if any; *provided* that each such new Senior PIK Note will be in a principal amount that is at least €100,000 and integral multiples of €1 in excess thereof.

If and for so long as the Senior PIK Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

Except as described above with respect to a Change of Control, the Senior PIK Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior PIK Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Senior PIK Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (i) 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 PIK Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior PIK Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption of all outstanding Senior PIK Notes has been given under "*Optional Redemption*" unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. 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.

To the extent that the provisions of any securities laws or regulations, including Section 14(e) of the U.S. Exchange Act, conflict with provisions of the Senior PIK Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior PIK Notes Indenture by virtue of such compliance. The Issuer may rely on any no-action letters issued by the SEC indicating that the staff of the SEC will not recommend enforcement action in the event a tender offer satisfies certain conditions.

The Issuer's ability to repurchase Senior PIK Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Senior Facilities 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 Senior Facilities Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Senior PIK Notes Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a change of control or require such Indebtedness to be repurchased upon a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior PIK Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See *"Risk Factors—Risks Related to our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in each Indenture may not necessarily afford you protection in the event of certain important corporate events."*

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole or the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all" there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior PIK Notes as described above.

The provisions of the Senior PIK Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior PIK Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Senior PIK Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness; *provided, however*, that the Issuer, the Company and any Restricted Subsidiary of the Issuer or the Company, as applicable, may Incur Indebtedness if on the date of such Incurrence, after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), for the most recently ended Relevant Period, either (x) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0 or (y) Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries would have been no greater than 5.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (a) €1,280 million, *plus* (b) the greater of (i) €300 million and (ii) 75% of Consolidated EBITDA, *plus* (c) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by the Issuer, the Company or any Restricted Subsidiary of Indebtedness of the Issuer, the Company or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant;
or

- (b) without limiting the covenant described under “*Limitation on Liens*”, Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer, the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior PIK Notes Indenture;
- (3) Indebtedness of the Issuer, the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer, the Company or any Restricted Subsidiary; *provided, however*, that:
 - (a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with cash management positions of the Issuer, the Company and their respective Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Senior PIK Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor to the extent required by the Intercreditor Agreement; and
 - (b) (x) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer, the Company or a Restricted Subsidiary of the Issuer or the Company and (y) any sale or other transfer of any such Indebtedness to a Person other than the Issuer, the Company or a Restricted Subsidiary of the Issuer or the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer, the Company or such Restricted Subsidiary, as the case may be;
- (4) (a) Indebtedness represented by (i) the Senior PIK Notes (other than any Additional Senior PIK Notes) and the related Note Guarantees outstanding on the Issue Date and any related “parallel debt” obligations under the Intercreditor Agreement and the Security Documents and (ii) the Senior Secured Notes and related guarantees and any related “parallel debt” obligations under the Intercreditor Agreement and the Security Documents outstanding on the Issue Date, (b) any Indebtedness of the Issuer, the Company or any of their respective Restricted Subsidiaries (other than Indebtedness Incurred under the Senior Facilities Agreement or Indebtedness described in clause (3) or (4)(a) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances, (e) any loan or other instrument contributing the proceeds of the Senior PIK Notes and (f) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Senior PIK Notes Indenture and the Senior Secured Notes Indenture;
- (5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer, the Company or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer, the Company or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate any acquisition or other Investment in an aggregate amount not to exceed an unlimited amount if after giving effect to such acquisition or other Investment (including pursuant to an acquisition of assets and assumption of related liabilities), merger, consolidation, amalgamation or similar transaction, either (1)(x) the Consolidated Net Leverage Ratio as of the last day of the most recently ended Relevant Period is equal to or less than 5.5 to 1.0 or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness or (2)(x) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0 after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries for the most recently ended Relevant Period would not be less than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

- (7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase or lease of assets or the purchase of Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) (excluding any Indebtedness Incurred under any sale and leaseback transactions of real estate) and then outstanding, will not exceed at any time outstanding the greater of €75 million and 20% of Consolidated EBITDA, so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, other types of social security, pension obligations, employee benefits, customer guarantees, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer, the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, consistent with past practice or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, consistent with past practice or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums or take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business, (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements (including pursuant to Cash Management Agreements), in each case in the ordinary course of business or consistent with past practice and (e) incentive, non-compete, consulting, deferred compensation or other arrangements with current, future or former officers, directors, employees, members of management or consultants of the Issuer, the Company (or any direct or indirect Holding Company thereof) and the Restricted Subsidiaries incurred in the ordinary course of business (including any modification, refinancing, refunding, replacement, renewal or extension of such Indebtedness);
- (9) Indebtedness constituting obligations under non-compete agreements, consulting agreements, indemnification obligations or obligations in respect of purchase price (including earn-outs) or other similar deferred purchase price arrangements or adjustments or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);
- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (b) customer deposits and advance payments received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice;
- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business or consistent with past practice of the Issuer, the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer, the Company and its Restricted Subsidiaries;
- (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of

receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business or consistent with past practice;

- (e) Indebtedness in respect of any bankers' acceptance supporting trade payables, warehouse receipts or similar facilities entered into in the ordinary course of business (including any modification, refinancing, refunding, replacement, renewal or extension of such Indebtedness);
 - (f) Indebtedness arising in connection with tax, deferral arrangements, tax exemptions, development opportunities, tenders, fulfilment of contractual commitments and/or other incentives or exemptions in the ordinary course of business or in connection with the business of the Issuer, the Company and its Restricted Subsidiaries or consistent with past practice; and
 - (g) Guarantees and counter-indemnities Incurred in the ordinary course of business or consistent with past practice in respect of obligations of (or to) suppliers, customers, franchisees, lessors and licensees that, in each case, are not Affiliates of the Issuer;
- (11) Indebtedness arising from or incurred in connection with Factoring Financing arrangements;
- (12) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*Limitation on Restricted Payments*" to the extent the Issuer, the Company and their respective Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (12) to the extent the Issuer, the Company or any of their respective Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*Limitation on Restricted Payments*" in reliance thereon;
- (13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed the greater of €140 million and 35% of Consolidated EBITDA;
- (14) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of €40 million and 10% of Consolidated EBITDA and Indebtedness backstopped by any bank guarantees and/or letters of credit; and
- (15) Permitted Intercompany Activities (to the extent constituting Indebtedness).

Notwithstanding the foregoing, the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clauses (5) and (13) of the second paragraph of this covenant at any time outstanding shall not exceed the greater of €100.0 million and 25% of Consolidated EBITDA at any time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant;

- (2) all Indebtedness outstanding on the Issue Date under the Senior Facilities Agreement shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to the first or second paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Issuer, the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) "Consolidated EBITDA" shall be calculated in accordance with the section "*Certain Covenants—Financial Calculations*" set forth below;
- (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS;
- (9) in the event that the Issuer, the Company or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (28) of the definition of "*Permitted Liens*," the Incurrence or issuance thereof for all purposes under the Senior PIK Notes Indenture, including for the purposes of calculating any ratios or baskets or other applicable provision of the Senior PIK Notes Indenture for borrowings and reborrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) may be determined, at the Issuer's option (A) on the date of such revolving credit facility or such entry into or increase in commitments or (B) on the date on which such facility or commitments become available (assuming, in the case of (A) and (B) of this clause (9) that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date) and, in either case, if any such ratio or basket or other applicable provision of the Senior PIK Notes Indenture is satisfied with respect thereto at such time, any borrowing or reborrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of any such ratio, basket, provision of the Senior PIK Notes Indenture at the time of any borrowing or reborrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (9) but not actually borrowed on such date shall be the "*Reserved Indebtedness Amount*" as of such date for purposes of the Fixed Charge Coverage Ratio or the Consolidated Net Leverage Ratio, as applicable, and, to the extent of the usage of any clause of the second paragraph of this covenant (if any), shall be deemed to be Incurred and outstanding under such clauses); and
- (10) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on the first paragraph of this covenant or any clause of the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA as of any date of determination, if such refinancing would cause the percentage of Consolidated EBITDA restriction to be exceeded if calculated based on the percentage of Consolidated EBITDA on the date of determination of such refinancing, such percentage of Consolidated EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus the aggregate amount of accrued and unpaid interest and any fees and expenses (including original issue

discount, upfront fees or similar fees), including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses Incurred or payable in connection with such refinancing.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “*Limitation on Indebtedness*”; *provided* that the amount of any Refinancing Indebtedness in respect of any outstanding Indebtedness may (in the Issuer’s sole discretion) be increased by the amount of all such accrued and/or capitalized interest, accreted value, original issue discount and/or additional Indebtedness in respect of such Indebtedness and such increased amount will not be deemed to be Indebtedness for the purpose of calculating any basket, permission or threshold under which such Refinancing Indebtedness is permitted to be Incurred. Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “*Limitation on Indebtedness*”, the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or at the Issuer’s discretion, first committed or first incurred or upon execution of the definitive documentation in respect thereof; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount (or liquidation preference in the case of Disqualified Stock or Preferred Stock) of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer, the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Layered Debt

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 PIK 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 such Guarantor unless such Indebtedness is *pari passu* with such Guarantor’s Note Guarantee or is also contractually subordinated in right of payment to, such Guarantor’s 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 with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any of the Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's, the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer, the Company or any Restricted Subsidiaries) except:
 - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and
 - (b) dividends or distributions payable to the Issuer, the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer, the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Entity of the Issuer held by Persons other than the Issuer, the Company or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*Limitation on Indebtedness*");
- (4) make any payment (other than by capitalization of interest) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or
- (5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*"), if at the time the Issuer, the Company or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):
 - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter ending immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available; provided the amount taken into account pursuant to this clause (i) shall not be less than zero;

- (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer or the Company, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer or the Company for the benefit of its employees to the extent funded by the Issuer, the Company or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions), excluding, for the avoidance of doubt, the Equity Contribution;
- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer, the Company or any Restricted Subsidiary from the issuance or sale (other than to the Issuer, the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer, the Company or any Subsidiary of the Issuer or the Company for the benefit of its employees to the extent funded by the Issuer, the Company or any Restricted Subsidiary) by the Issuer, the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer, the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer or the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (1) or (6) of the second succeeding paragraph and (y) Excluded Contributions, and excluding, for the avoidance of doubt, the Equity Contribution;
- (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer, the Company or any Restricted Subsidiary from the disposition of any Investment in any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than a disposition to the Issuer, the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer, the Company or any Subsidiary of the Issuer or the Company for the benefit of its employees to the extent funded by the Issuer, the Company or any Restricted Subsidiary);
- (v) in the event that an Unrestricted Subsidiary (designated as such subsequent to the Issue Date) is redesignated as a Restricted Subsidiary, all of the assets of such Unrestricted Subsidiary are transferred to the Issuer, the Company or a Restricted Subsidiary or such Unrestricted Subsidiary is merged or consolidated into the Issuer, the Company or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer, the Company or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment";

- (vi) 100% of any dividends or distributions received by the Issuer, the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; and
- (vii) the greater of €100 million and 25% of Consolidated EBITDA

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer or the Company) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided, however, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph of this covenant;*
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*Limitation on Indebtedness*" above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer, the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer, the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
 - (a) from Net Available Cash to the extent permitted under "*Limitation on Sales of Assets and Subsidiary Stock*" below, but only (i) if the Issuer shall have first complied with the terms described under "*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior PIK Notes tendered pursuant to any offer to repurchase all the Senior PIK Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest plus any applicable early redemption premium;
 - (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*Change of Control*" and purchased all Senior PIK Notes tendered pursuant to the offer to repurchase all the Senior PIK Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest plus any applicable early redemption premium; or
 - (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or

series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer, the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent Entity to permit any Parent Entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) the greater of €40 million and 10% of Consolidated EBITDA in any calendar year, such amount being increased to the greater of €60 million and 15% of Consolidated EBITDA subsequent to the consummation of an Initial Public Offering (with unused amounts in any calendar year being permitted to be carried over to succeeding calendar years subject to a maximum of the greater of €80 million and 20% of Consolidated EBITDA in any calendar year or the greater of €120 million and 30% of Consolidated EBITDA subsequent to the consummation of a Qualified IPO, respectively), *plus* (b) the Net Cash Proceeds received by the Issuer, the Company or any Restricted Subsidiary since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity), or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), *plus* (c) the net cash proceeds of any key man life insurance policies *plus* (d) the amount of any cash bonuses otherwise payable to employees, officers, directors, managers, consultants or independent contractors of the Issuer, the Company or the Restricted Subsidiaries or any direct or indirect parent of the Issuer that are foregone in return for the receipt of Capital Stock, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph of this covenant;
- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “*Limitation on Indebtedness*”;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise, conversion or exchange price thereof or withholding or similar taxes in respect thereof (and payments of the same) upon such exercise, conversion or exchange;
- (9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer, the Company or any Restricted Subsidiary in amounts equal to (without duplication):
 - (a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; or
 - (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under “*Limitation on Affiliate Transactions*”;
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or

distributions 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 Designated Preference Shares or through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization;

- (11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions or the net cash proceeds from a disposition in respect of property or assets acquired after the Issue Date, if the acquisition of such property or assets was financed with Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payments for the purposes of or arising in connection with purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Factoring Financing and the payment or distribution of Receivables Fees;
- (14)
 - (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and
 - (ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date,

provided, however, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent Entity or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;
- (15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (16) [reserved];
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided that*, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries does not exceed 4.5 to 1.0 on a *pro forma* basis after giving effect thereto; and
- (18) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €90 million and 22.5% of Consolidated EBITDA;
- (19) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments of amounts deemed not to be Excess Proceeds pursuant to the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*"; and
- (20) the prepayment, redemption, repurchase, defeasance, exchange, conversion, acquisition or retirement or other acquisition of any Subordinated Indebtedness in an aggregate principal amount at any time outstanding not to exceed the greater of €90 million and 22.5% of LTM Consolidated EBITDA.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) (i) meets the criteria of more than one of the categories of Permitted Payments described in the second paragraph of this covenant, and/or (ii) is permitted pursuant to the first paragraph of this covenant and/or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on any relevant date of determination of such Restricted Payment of the assets or securities proposed to be paid, transferred or issued by the Issuer, the Company or any Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA," pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries.

Unrestricted Subsidiaries may use value transferred from the Issuer, the Company and the Restricted Subsidiaries in a Permitted Investment or a Restricted Investment not prohibited under this covenant to purchase or otherwise acquire Indebtedness or Capital Stock of the Issuer, any Parent Entity or any of the Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "direct or indirect" action by the Issuer, the Company or the Restricted Subsidiaries.

Limitation on Liens

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior PIK Notes and the Senior PIK Notes Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior PIK Notes pursuant to clause (a)(2) above will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*Security-Release of Liens*".

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer, the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits;
- (B) make any loans or advances to the Issuer, the Company or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Issuer, the Company or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer, the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer, the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Facilities Agreement), (b) the Senior Secured Notes Indenture and the Intercreditor Agreement or (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer, the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer, the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer, the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided that*, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “–Merger and Consolidation”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer, the Company or any Restricted Subsidiary when such Person becomes the Successor Company;
- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an “Initial Agreement”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (4) any encumbrance or restriction:
 - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
 - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Senior PIK Notes Indenture or securing Indebtedness of the Issuer, the Company or a Restricted Subsidiary permitted under the Senior PIK Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or
 - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer, the Company or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior PIK Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or

disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior PIK Notes than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Senior PIK Notes or (b) constituting an Additional Intercreditor Agreement;
- (12) any encumbrance or restrictions effected in connection with Factoring Financing;
- (13) any encumbrance or restriction existing by reason of any Lien permitted under “*Limitation on Liens*”;
- (14) any encumbrance or restriction existing by reason of a Permitted Transaction effected in compliance with the definition thereof;
- (15) provisions restricting assignment of any agreement entered into in the ordinary course of business or consistent with past practice; or
- (16) customary restrictions included in shareholder agreements, including, without limitation, those relating to non-wholly owned Subsidiaries.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Issuer, the Company or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer’s Board of Directors); and
- (2) in any such Asset Disposition, or series of related Asset Dispositions, with a purchase price in excess of the greater of €40 million and 10% of Consolidated EBITDA, at least 75% of the consideration the Issuer, the Company or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
 - (i) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);
 - (ii) Cash Equivalents;
 - (iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer’s, the Company’s or such Restricted Subsidiary’s balance sheet or the notes thereto (or, if

Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which none of the Issuer, the Company nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer, the Company and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

- (iv) Replacement Assets;
- (v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;
- (vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer, the Company or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;
- (vii) any Designated Non-Cash Consideration received by the Issuer, the Company or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €25 million and 6.5% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or
- (viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer, the Company or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 395 days (or 575 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer, the Company or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) any Senior Indebtedness Incurred of a Restricted Subsidiary or any Refinancing Indebtedness in respect thereof; or (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Senior PIK Notes) pursuant to this clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior PIK Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior PIK Notes equal to the proportion that (x) the total aggregate principal amount of Senior PIK Notes outstanding bears to (y) the sum total aggregate principal amount of the Senior PIK Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Senior PIK Notes);
- (2) purchase Senior PIK Notes pursuant to an offer to all Holders of the Senior PIK Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and/or redeem Notes pursuant to the redemption provisions of the Senior PIK Notes Indenture or by making an Asset Disposition Offer to all Holders of the Notes (in accordance with the procedures set out below);
- (3) invest in any Replacement Assets;
- (4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

- (5) make a capital expenditure;
- (6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (7) consummate any combination of the foregoing; or
- (8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 395-day period, if the investment has not been consummated by that date.

The following amount of such Net Available Cash not so used as set forth in this paragraph constitutes "Excess Proceeds":

- (1) if the Consolidated Senior Secured Net Leverage Ratio (under and as defined in the Senior Secured Notes Indenture as of the Issue Date) as at the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash is greater than 4.25:1.00, 100% of such Net Available Cash; and
- (2) if the Consolidated Senior Secured Net Leverage Ratio (under and as defined in the Senior Secured Notes Indenture as of the Issue Date) as at the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash is equal to or less than 4.25:1.00, 50% of such Net Available Cash;

provided that if immediately prior to making an Asset Disposition Offer, the Consolidated Senior Secured Net Leverage Ratio (under and as defined in the Senior Secured Notes Indenture) falls into a lower threshold than at the time initially calculated, then the relevant percentage of Net Available Cash that constitute Excess Cash Proceeds shall be reduced accordingly.

Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce indebtedness or otherwise use such Net Available Cash in any manner that is not prohibited by the terms of the Senior PIK Notes Indenture.

On the 396th day after an Asset Disposition (or the 576th day if a binding commitment as described in clause (8) above has been entered into) or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of €40 million and 10% of Consolidated EBITDA, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior PIK Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior PIK Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior PIK Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest (paid at the rate of Cash Interest), if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior PIK Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof in the case of the Senior PIK Notes.

To the extent that the aggregate amount of Senior PIK Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer, the Company or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for any purpose permitted by the Senior PIK Notes Indenture. If the aggregate principal amount of the Senior PIK Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior PIK Notes and Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior PIK Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior PIK Notes is denominated in a currency other than the currency in which the relevant Senior PIK Notes are denominated, the amount thereof payable in respect of such Senior PIK Notes shall not exceed the net amount of funds in the currency in which such Senior PIK Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The provisions under the Senior PIK Notes Indenture related to the Issuer's obligation to make an offer to repurchase the Senior PIK Notes as a result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of all the then outstanding Senior PIK Notes.

The Asset Disposition Offer, insofar as it relates to the Senior PIK Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than ten Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will repay the principal amount of Senior PIK Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior PIK Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Senior PIK Notes and Pari Passu Indebtedness or portions of Senior PIK Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior PIK Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior PIK Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Senior PIK Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior PIK Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior PIK Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior PIK Note surrendered; *provided* that each such new Senior PIK Note will be in a principal amount with a minimum denomination of €100,000. Any Senior PIK Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior PIK Notes pursuant to the Senior PIK Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior PIK Notes Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any of the Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of the greater of €20 million and 5% of Consolidated EBITDA unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer, the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €40 million and 10% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under "*–Limitation on Restricted Payments–*", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*–Limitations on Restricted Payments–*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, the Company, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Issuer, the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants, contractors or employees of the Issuer, the Company, any Restricted Subsidiary or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers, consultants, contractors or employees);
- (6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer, the Company or any Restricted Subsidiary under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in "*Certain Relationships and Related Party Transactions*" in this Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) the entry into, delivery and performance of obligations of, or making of any payments by, the Issuer, the Company or any Restricted Subsidiary pursuant to any Tax Sharing Agreement among the Issuer as dominated entity and any Parent Entity as dominating entity (*herrschendes Unternehmen*) required under applicable law and the applicable Tax Sharing Agreement, including any conversion of any loss compensation claims arising under a Tax Sharing Agreement into one or more (interest or non-interest bearing) loans or other receivables owed by the Issuer to a German HoldCo (provided that any (interest or non-interest bearing) loans or other receivables (and all associated interest) resulting from the aforementioned conversion of amounts payable owing from the Issuer to a German HoldCo must be pledged or assigned as Collateral and to the terms of the Intercreditor Agreement as Investor Liabilities) or any deferral or settlement of any loss compensation claims arising under a Tax Sharing Agreement by way of payment in cash, in kind, set-off (including the prior creation of a receivable (including but not limited to, a receivable for the disbursement of a loan) of a German HoldCo owed to the Issuer to enable a set-off), novation or by way of any similar form;
- (8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer, the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer, the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

- (9) any transaction in the ordinary course of business between or among the Issuer, the Company or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer, the Company or a Restricted Subsidiary or any Affiliate of the Issuer, the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior PIK Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;
- (11) (a) payments by the Issuer, the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of €4 million and 1% of Consolidated EBITDA per year and (b) customary payments by the Issuer, the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;
- (12) any transactions for which the Issuer, the Company or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer, the Company or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (13) (A) investments by Affiliates (including Permitted Holders) in debt facilities and debt securities of the Issuer, the Company or any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by the Permitted Holders in connection therewith) and (B) payments to Affiliates in respect of such debt facilities or debt securities of the Issuer, the Company or any Restricted Subsidiary contemplated in sub-paragraph (A) above or that were acquired from persons other than the Issuer, the Company and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities;
- (14) pledges of Capital Stock of Unrestricted Subsidiaries;
- (15) any transaction effected as part of a Factoring Financing;
- (16) intellectual property licenses in the ordinary course of business; and
- (17) any transaction as part of or in connection with a Permitted Transaction or in connection with an Initial Public Offering.

Limitation on Activities of the Parent, the Company and the Issuer

The Parent, the Company and the Issuer may not carry on any material business or own any material assets or incur any indebtedness other than:

- (1) providing administrative services, strategy, legal, accounting, treasury, financial, banking, management and support services to its Affiliates (including, without limitation, the management of its Subsidiaries and its Subsidiaries' assets, entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group, providing payroll, IT, audit, compliance and similar services, providing healthcare and benefits, fulfilling periodic reporting requirements and secondment of employees), the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a Holding Company and the ownership of assets and the incurrence and payment of costs, fees, taxes and expenses in connection with such services and activities;

- (2) (i) Incurring any Indebtedness or Subordinated Shareholding Funding or making any loan not prohibited under the Senior PIK Notes Indenture; (ii) conducting any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the servicing, purchase, redemption, amendment, exchange, refinancing or retirement and the performance of the terms and conditions thereof; and (iii) the granting of Liens to secure such Indebtedness or otherwise, in each case, not prohibited by the terms of the Senior PIK Notes Indenture;
- (3) entering into, and activities undertaken with the purpose of fulfilling its obligations or exercising its rights under, the Senior PIK Notes Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Senior Facilities Agreement, the Security Documents, any finance document relating to Indebtedness not prohibited to be Incurred under the Senior PIK Notes Indenture and any related finance, security or other document to the extent party thereto;
- (4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares or other equity or debt securities of Subsidiaries, (iii) other property and assets for the purpose of transferring such property and asset to any Parent or other Person and (iv) any other property or asset it owns on the Issue Date;
- (5) paying dividends, making distributions and other payments or disposals as permitted or not prohibited under the Senior PIK Notes Indenture, including without limitation, any Restricted Payment permitted pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*" and making any Permitted Payment, any Permitted Investment or any transaction specifically excluded from the definition of the term "Restricted Payment;"
- (6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Senior PIK Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited under the Senior PIK Notes Indenture;
- (7) entering into and performing any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants or any Person who directly or indirectly holds Capital Stock of the Company, the issuance, offering and sale of such Capital Stock to such Persons, including compliance with applicable regulatory and other obligations in connection therewith and any purchase, repurchase, redemption, or the performance of the terms and conditions of an exercise of rights in respect of such Capital Stock, (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, escrow agreements, engagement letters, underwriting agreements, dealer manager agreements, solicitation agency agreements, agreements with rating agencies and other agreements in respect of securities or any offering, issuance or sale thereof and (iii) engagement letters and reliance letters in respect of legal, accounting and advice or reports received or commissioned by it, in each case, in relation to transactions which prohibited under the Senior PIK Notes Indenture;
- (8) the issuance, offering and sale of shares, other equity securities and debt securities, including compliance with applicable regulatory and other obligations in connection therewith and undertaking any activities to the extent consistent with the activities of a listed company in the course of its business as a listed company or to comply with the requirements of any applicable authority and/or stock exchange;
- (9) pursuant to or in connection with the Transactions, including the Post-Closing Reorganization;
- (10) any activity of the type undertaken by such entity, or (following its merger with or into the Parent or the Company) the Senior Secured Notes Issuer, prior to the Issue Date; and
- (11) undertaking any other activities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) *de minimis* in nature.

Reports

So long as any Senior PIK Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (1) within 120 days following the end of each fiscal year of the Company beginning with the Company's fiscal year ending September 30, 2021, annual reports containing to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Company as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Company for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements in respect of the most recently completed fiscal year; (iv) a description of the management and shareholders of the Company, material affiliate transactions and a description of all material debt instruments (unless such contract arrangements were described in a previous annual or quarterly report, in which case the Company need describe only any material changes); and (v) a description of material operational risk factors and material subsequent events; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days following the end of each of the first, second and third fiscal quarters in each fiscal year of the Company beginning with the quarter ending March 31, 2021, quarterly financial statements containing the following information: (i) the Company's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations and material changes in liquidity and capital resources of the Company; and (iv) material subsequent events; *provided* that the information described in clause (iv) may be provided in the footnotes to the unaudited financial statements; and
- (3) promptly after the occurrence of a material event that the Company announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Company and the Restricted Subsidiaries taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Company, a report containing a description of such event.

In addition, the Issuer will furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act for so long as the Senior PIK Notes are not freely transferable under the U.S. Exchange Act by persons who are not "affiliates" under the U.S. Securities Act.

Prior to the completion of the Post-Closing Reorganization, the Issuer shall provide in reasonable detail any material assets or liabilities of the Issuer and its Restricted Subsidiaries in addition to the information required to be provided in clause (1) and (2) above.

After the completion of the Post-Closing Reorganization, the Issuer may at any time elect to become the reporting entity in place of the Company, after which election, references to the "Company" in clauses (1),

(2) and (3) above shall be deemed to refer to the Issuer. Following such election, any annual or quarterly reports of the Issuer that include comparative reporting periods prior to the completion of the Post-Closing Reorganization may include only the consolidated financial information for the Company and its Restricted Subsidiaries for such comparative period.

Prior to an election pursuant to the immediately preceding paragraph, any quarterly or annual report delivered pursuant to clauses (1) or (2) of the first paragraph hereof shall include condensed consolidated financial information that explains in reasonable detail the differences between, to the extent applicable (i) the Issuer; and (ii) the Company and its Restricted Subsidiaries on a combined basis.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Company 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. Notwithstanding the foregoing, to the extent that material differences exist between the results of operations or financial condition of the Issuer and the Company, the annual and quarterly reports shall give a reasonably detailed description of such differences. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company's (a) total consolidated revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Issuer's or the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the Company, then the quarterly and annual financial information required by the first paragraph of this "Reports" covenant 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 Company, the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Company and the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Subject to compliance with the next paragraph, in the event that, and for so long as, the equity securities of the Company, the Issuer or any Parent Entity or IPO Entity are listed on the Main Market of the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union) and the Company, the Issuer or such Parent Entity or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Company, the Issuer or such Parent Entity or IPO Entity is, or would be, required to file with the London Stock Exchange (or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union) pursuant to such admission and disclosure standards (or the applicable standards of one or more of the equivalent regulated markets of the Frankfurt Stock Exchange,

Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union, as applicable). Upon complying with the foregoing requirements, and provided that such requirements require the Company, the Issuer or any Parent Entity or IPO Entity to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext Amsterdam Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange, NASDAQ, the New York Stock Exchange or any other regulated stock exchange established in a Member State of the European Union, as applicable, the Issuer will be deemed to have complied with the provisions contained in this covenant.

The Issuer may comply with any requirement to provide reports or financial statements under this covenant by providing (x) any report or financial statements of a direct or indirect Parent Entity of the Company so long as such reports (if an annual, half-yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Company therein were references to such Parent Entity and (b) include condensed consolidated financial information that explains in reasonable detail the differences between, to the extent applicable,: (i) such Parent Entity; (ii) the Issuer, the Company and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Parent Entity that are not the Company or Subsidiaries of the Company on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts; or (y) any report or financial statements of a direct or indirect Subsidiary of the Company that represents substantially all the assets of the Issuer, the Company and its Restricted Subsidiaries (the "*Reporting Subsidiary*") so long as such reports (if an annual, half yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Company therein were references to the Reporting Subsidiary and (b) include condensed consolidated financial information that explains in reasonable detail the differences between, to the extent applicable,: (i) the Company; (ii) the Reporting Subsidiary and its Restricted Subsidiaries on a combined basis; (iii) the Issuer any other Subsidiaries of the Company that are not the Reporting Subsidiary or Subsidiaries of the Reporting Subsidiary on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts. Upon complying with the requirements set forth in the preceding sentence, the Company will be deemed to have complied with the provisions contained in the preceding paragraphs.

All reports provided pursuant to this covenant will be made in the English language.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

- (1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of the United Kingdom, any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Australia or any state thereof, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior PIK Notes and the Senior PIK Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Fixed Charge Coverage for the Company or the Successor Company and its Restricted Subsidiaries would be at least 2.0 to 1.0 or (b) the Fixed Charge Coverage Ratio for the Company or the Successor Company and its Restricted Subsidiaries for the most recently ended Relevant Period immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee (and the Trustee will be able to rely without further inquiry on) an Officer's Certificate and an Opinion of Counsel, each to the effect that

such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior PIK Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company in accordance with its terms (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer, the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*Limitation on Indebtedness*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior PIK Notes Indenture but in the case of a lease of all or substantially all its assets, the Issuer will not be released from its obligations under the Senior PIK Notes Indenture or the Senior PIK Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*Merger and Consolidation*" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*" or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Senior PIK Notes Indenture or the Intercreditor Agreement and any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless:
 - (a) the other Person is the Issuer or another Restricted Subsidiary that is a Guarantor or becomes a Guarantor (with its Note Guarantee subject to limitation as set forth in the Agreed Security Principles) substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;
 - (b) [reserved];
 - (c) (1) either (x) a Guarantor is the surviving entity or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior PIK Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee and with its Note Guarantee subject to limitation as set forth in the Agreed Security Principles); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

- (d) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer, the Company or a Restricted Subsidiary) otherwise permitted by the Senior PIK Notes Indenture;

provided, however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (a) and (c)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims, or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction, including in each case the views, guidance or interpretation of the relevant regulator; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this *"Merger and Consolidation"* covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or direction of, or agreement with, any regulatory authority having jurisdiction over the Issuer, the Company and/or any Restricted Subsidiary; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior PIK Notes, the Senior PIK Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading *"–The Issuer"* shall apply to such transaction; (v) the solvent liquidation of any Restricted Subsidiary that is not a Guarantor; (vi) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity or (vii) the Post-Closing Reorganization; *provided, however*, that clauses (1), (2) and (4) under the heading *"–The Issuer"* shall apply to any such transaction in respect of the Issuer.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior PIK Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a *"Suspension Event"*), then, beginning on that day and continuing until such time, if any, at which the Senior PIK Notes cease to have Investment Grade Status (the *"Reversion Date"*), the provisions of the Senior PIK Notes Indenture summarized under the following captions will not apply to the Senior PIK Notes:

- (1) *"–Limitation on Indebtedness";*
- (2) *"–Limitation on Restricted Payments";*
- (3) *"–Limitation on Restrictions on Distributions from Restricted Subsidiaries";*
- (4) *"–Limitation on Affiliate Transactions";*
- (5) *"–Limitation on Sales of Assets and Subsidiary Stock";*
- (6) *"–Additional Guarantees";* and
- (7) the provisions of clause (3) of the first paragraph of the covenant described under *"–Merger and Consolidation–The Issuer,"*

and, in each case, any related default provision of the Senior PIK Notes Indenture will cease to be effective and will not be applicable to the Issuer, the Company and the Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer, the Company or any Restricted Subsidiary properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default

or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior PIK Notes Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*Limitation on Indebtedness*." In addition, the Senior PIK Notes Indenture will also permit, without causing a Default or Event of Default, the Issuer, the Company or any Restricted Subsidiary to honor any contractual commitments or take actions in the future after any date on which the Senior PIK Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Senior PIK Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior PIK Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens, or the confirmation or affirmation of security interests in respect of the Collateral shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer will not, the Company will not, and each of the Issuer and the Company will not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that the Issuer, the Company and the Restricted Subsidiaries may incur any Lien over any of the Collateral that is not prohibited by the covenants described under "*Limitation on Indebtedness*" and "*Limitation on Liens*", including Permitted Collateral Liens and the Collateral may be discharged, transferred and released and retaken, if applicable, in accordance with the Senior PIK Notes Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the foregoing, the applicable Security Documents may be amended, extended, renewed, restated, supplemented, replaced or otherwise modified or released and retaken from time to time to (1) cure any ambiguity, mistake, omission, defect or inconsistency therein, (2) provide for Permitted Collateral Liens, (3) add to the Collateral, (4) make any other change thereto that does not adversely affect the Holders in any material respect, or (5) for the purposes of undertaking a Permitted Transaction or the Post-Closing Reorganization; *provided, however*, that in the case of clause (4) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors, Chief Financial Officer or Chief Executive Officer of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, released, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Issuer, the Company or the relevant Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

The Company shall cause, subject to the Agreed Security Principles, as soon as is reasonably practicable after the Issue Date and in any event on or prior to the date falling (a) on the later of the date on which such Post-Closing Subsidiary Guarantor provides a guarantee of the Senior Credit Facilities and 30 days

after the Issue Date and (b) on the later of the date on which such Post Closing Guarantor provides a guarantee of the Senior Credit Facilities and 90 days after the Issue Date, as applicable, each Post-Closing Guarantor to:

- (1) execute and deliver to the Trustee a supplemental indenture in the form attached to the Senior PIK Notes Indenture pursuant to which such Subsidiary will provide a Note Guarantee on a senior subordinated basis; and
- (2) accede as a party to the Intercreditor Agreement or any Additional Intercreditor Agreement.

In addition, the Company shall procure that, subject to the Agreed Security Principles, on or prior to November 30, 2021 and only if the Post-Closing Reorganization has not been completed, either KB A or KBI, whichever is the direct parent company of the Company, shall (1) execute and deliver to the Trustee a supplemental indenture in the form attached to the Senior PIK Notes Indenture pursuant to which such Subsidiary will provide a Note Guarantee which will be *pari passu* with, or senior to, any other Indebtedness of KB A or KBI, as applicable and (2) accede as a party to the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the Agreed Security Principles, the Company will not cause or permit any Restricted Subsidiary that is not a Guarantor to Guarantee the Indebtedness outstanding under the Senior Credit Facilities, any Credit Facility (in an aggregate amount of all such Guarantees of such other Credit Facilities exceeding €50.0 million outstanding) or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary becomes a Guarantor by no later than 10 Business Days after the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture providing for a Note Guarantee of such Restricted Subsidiary, which Note Guarantee will be subordinated to any Senior Indebtedness of such Guarantor; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financials assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. This paragraph shall not be applicable to any guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

Note Guarantees granted pursuant to this provision shall be released as set forth under “*Releases of Note Guarantees*”. A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior PIK Notes Indenture if such Guarantor had not been designated as a Guarantor or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior PIK Notes Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Note Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in “*Risk Factors*”.

Additional Intercreditor Agreements

The Senior PIK Notes Indenture will provide that, at the request of the Issuer and without the consent of Holders, in connection with the Incurrence by the Issuer, the Company or any Restricted Subsidiary of any (1) Indebtedness secured on Collateral or as otherwise required herein and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), the Issuer, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor

Agreement on substantially the same terms (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement or restatement, amendment or modification of the Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Senior PIK Notes Indenture or the Intercreditor Agreement.

The Senior PIK Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer, the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking *pari passu* or junior in right of payment to the Senior PIK Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior PIK Notes (including Additional Senior PIK Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior PIK Notes, (6) implement any Permitted Collateral Liens (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior PIK Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any such Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior PIK Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior PIK Notes Indenture also will provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior PIK Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*Limitation on Restricted Payments*".

The Senior PIK Notes Indenture also will provide that each Holder, by accepting a Senior PIK Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement will be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer or at the offices of the listing agent.

Post-Closing Reorganization

KBI shall use its commercially reasonable efforts to procure that the Senior PIK Issuer Reorganization is completed; *provided* that if the completion does not occur as a result of any action or inaction of any judicial or regulatory authority or because KBI determines, acting reasonably and in good faith, that the completion of the Senior PIK Issuer Reorganization would contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of any officer, then KBI shall be deemed to have used its commercially reasonable efforts to comply with this covenant.

Financial Calculations

Notwithstanding anything to the contrary herein, the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio and Consolidated EBITDA shall be calculated in the manner prescribed by this section. Consolidated EBITDA shall be calculated with reference to the Company and its Restricted Subsidiaries for purposes of calculating compliance with any covenant determined by reference to Consolidated EBITDA.

For the purposes of calculating the Consolidated Net Leverage Ratio, the Fixed Charge Coverage Ratio or compliance with any covenant determined by reference to Consolidated EBITDA, for a Specified Transaction (and the incurrence or repayment of any Indebtedness in connection therewith) that has been made (i) during the applicable Relevant Period or (ii) subsequent to such Relevant Period and prior to or

simultaneously with the event for which the calculation of any such ratio is made shall be calculated on a pro forma basis assuming that all such Specified Transactions (and any increase or decrease in Consolidated EBITDA and the component financial definitions used therein attributable to any Specified Transaction) had occurred on the first day of the applicable Relevant Period. If since the beginning of any applicable Relevant Period any Person that subsequently became a Restricted Subsidiary or was merged, amalgamated or consolidated with or into any Restricted Subsidiary since the beginning of such Relevant Period shall have made any Specified Transaction that would have required adjustment pursuant to this section, then the Consolidated Net Leverage Ratio and the Fixed Charge Coverage Ratio and Consolidated EBITDA shall be calculated to give pro forma effect thereto in accordance with this section.

Whenever pro forma effect is to be given to a Specified Transaction, the pro forma calculations shall be made in good faith by an Officer and may include, for the avoidance of doubt, the amount of "run rate" cost savings, operating expense reductions and synergies (excluding revenue synergies) projected by the Issuer in good faith to be realized as a result of specified actions taken, committed to be taken or expected to be taken (calculated on a pro forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of such period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of such period) relating to such Specified Transaction and run rate means the full recurring benefit for a period that is associated with any action taken, committed to be taken or with respect to which substantial steps have been taken or are expected to be taken, net of the amount of actual benefits realized during such period from such actions; provided that (i) such amounts are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Issuer, (ii) such actions are taken, committed to be taken or expected to be taken no later than 24 months after the date of such Specified Transaction and (iii) no amounts shall be added pursuant to this paragraph to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such period; *provided*, that any such adjustments made under this paragraph, together with any "run rate" adjustments under clause (13) of the definition of Consolidated EBITDA, shall not exceed 20% of Consolidated EBITDA after giving effects to all other adjustments permitted by the definition of "Consolidated EBITDA"; *provided*, further, that at the election of the Issuer (in its sole and absolute discretion), such amounts shall not be required to be determined for any Specified Transaction to the extent the aggregate consideration paid in connection with such Specified Transaction was equal to or less than €25 million.

In the event that the Issuer, the Company or any Restricted Subsidiary incurs (including by assumption or guarantees) or repays (including by repurchase, redemption, repayment, retirement, defeasance, extinguishment or other discharge) any Indebtedness included in the calculations of the Consolidated Net Leverage Ratio or the Fixed Charge Coverage Ratio, as the case may be (in each case, other than Indebtedness incurred or repaid under any revolving credit facility in the ordinary course of business for working capital purposes), (i) during the applicable Relevant Period or (ii) subsequent to the end of the applicable Relevant Period and prior to or simultaneously with the event for which the calculation of any such ratio is made, then the Consolidated Net Leverage Ratio and the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence or repayment of Indebtedness, to the extent required, as if the same had occurred on the last day of the applicable Relevant Period with the change in any associated Fixed Charges being calculated as if such incurrence or repayment occurred on the first day of such Relevant Period; provided that (A) such *pro forma* calculation shall not give effect to (x) any Indebtedness Incurred on the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*") pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" or (y) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" and (B) the cash proceeds (and any resulting cash and Cash Equivalent Investments) of such incurred Indebtedness shall be excluded from amounts that may be netted in the calculation of pro forma Consolidated Net Leverage Ratio. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date such calculation is being made had been the applicable rate for the entire period (taking into account any Swap Contract applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with the relevant Accounting Principles. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a LIBOR interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

With respect to any basket or threshold that is determined by reference to the greater of a fixed amount and a percentage of Consolidated EBITDA, Consolidated EBITDA shall be calculated at all times as if

Capitalized Lease Obligations are calculated on the basis of IFRS as in effect prior to January 1, 2019, irrespective of whether an IFRS 16 Election has been made.

On and after the date pro forma effect is to be given to an acquisition or Investment and on which the Issuer, the Company or any Restricted Subsidiary is incurring Indebtedness, which acquisition or Investment has yet to be consummated but for which a definitive agreement governing such acquisition or Investment has been executed and remains in effect, such pro forma effect shall be deemed to continue at all times thereafter for purposes of determining ratio-based conditions and baskets until the earlier of the date such acquisition or Investment is consummated or the date such definitive agreement is terminated or expires without consummation.

Without prejudice to the rights of the Restricted Group under the foregoing paragraphs:

- (a) for the purposes of the determination of the Consolidated Net Leverage Ratio and the Fixed Charge Coverage Ratio, the exchange rates used in the calculation of Consolidated EBITDA shall be the weighted average exchange rates for the relevant period as determined by the Issuer; and
- (b) for the purposes of the determination of Consolidated Total Debt and Consolidated Total Net Debt in respect of any period, the exchange rates used for the determination of Consolidated Total Debt and Consolidated Total Net Debt for that relevant period shall be (A) in relation to Indebtedness for which the Restricted Group has entered into cross currency swaps, the rate at which such swap has been entered into and (B) in relation to all other Indebtedness, the exchange rate used in the calculation of Consolidated EBITDA or calculated in accordance with paragraph (i) above.

Notwithstanding anything to the contrary herein, to the extent that the terms of the Senior PIK Notes Indenture require (i) compliance with any financial ratio or test, any Senior Secured Net Leverage Ratio test, any Consolidated Net Leverage Ratio test or any Fixed Charge Coverage Ratio test) and/or any threshold expressed as a percentage of Consolidated EBITDA in connection with the incurrence of Indebtedness, the issuance of Disqualified Equity Interests, the creation of Liens, the making of any Disposition, the making of an Investment, the making of a Restricted Payment, the designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary or the repayment of Indebtedness or Disqualified Equity Interests, (ii) the absence of a Default or Event of Default (or any type of Default or Event of Default) as a condition or (iii) satisfaction of all other conditions precedent to the incurrence of Indebtedness, the issuance of Disqualified Equity Interests, the creation of Liens, the making of any Disposition, the making of an Investment, the making of a Restricted Payment, the designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary or the repayment of Indebtedness or Disqualified Equity Interests, in each case in connection with a Limited Condition Transaction, the determination of such ratio or other provisions, determination of whether any Default or Event of Default has occurred, is continuing or would result therefrom or the satisfaction of any other conditions shall, at the election of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Transaction, an "*LCT Election*", which LCT Election may be in respect of one or more of paragraphs (i), (ii) and (iii) above), be deemed to be the date the definitive agreements (or other relevant definitive documentation) for such Limited Condition Transaction are entered into (the "*LCT Test Date*"). If on a pro forma basis after giving effect to such Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any incurrence or issuance of Indebtedness or Disqualified Equity Interests and the use of proceeds thereof), with such ratios and other provisions calculated as if such Limited Condition Transaction or other transactions had occurred at the beginning of the most recent Relevant Period ending prior to the LCT Test Date, the Issuer could have taken such action on the relevant LCT Test Date in compliance with the applicable ratios or other provisions, such provisions shall be deemed to have been complied with. For the avoidance of doubt, if any of such ratios are exceeded as a result of fluctuations in such ratio including due to fluctuations in Consolidated EBITDA of the Company or the person subject to such acquisition or investment, at or prior to the consummation of the relevant transaction or action, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the relevant transaction or action is permitted to be consummated or taken; *provided* that if such ratios improve as a result of such fluctuations, such improved ratios may be utilized. In connection with any action being taken in connection with a Limited Condition Transaction, for purposes of determining compliance with any provision which requires that no Default, Event of Default or specified Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default, Event of Default or specified Event of Default, as applicable, exists on the date the definitive agreements for such Limited Condition Transaction are entered into.

Subject to the limitations imposed under clause (2) of the third paragraph of the covenant described under "*Limitation on Indebtedness*", if a proposed action, matter, transaction or amount (or a portion thereof)

is incurred or entered into pursuant to a fixed permission and at a later time would subsequently be permitted under a ratio-based permission, unless otherwise elected by the Issuer, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based permission.

Prior to the completion of the Post-Closing Reorganization, the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio and Consolidated EBITDA shall be calculated to include (without duplication) any applicable Indebtedness, Fixed Charges or Consolidated EBITDA of the Company, the Issuer and their respective Restricted Subsidiaries. After the completion of the Post-Closing Reorganization, the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio and Consolidated EBITDA shall be calculated as if references to the "Company" are references to the "Issuer".

Events of Default

Each of the following is an "*Event of Default*" under the Senior PIK Notes Indenture:

- (1) default in any payment of interest on any Senior PIK Note issued under the Senior PIK Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior PIK Note issued under the Senior PIK Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer, the Company or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Senior PIK Notes with its other agreements contained in the Senior PIK Notes Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company, the Parent, the Issuer or any Significant Subsidiary (or the payment of which is Guaranteed by the Issuer, the Company or any Significant Subsidiary) other than Indebtedness owed to the Issuer, the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and, in each case, either (i) 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 €40 million or more;

- (5) certain events of bankruptcy, insolvency or court protection of the Holdcos, the Company, the Parent, the Issuer or a Significant Subsidiary (the "*bankruptcy provisions*");
- (6) failure by the Company, the Parent, the Issuer or any Significant Subsidiary to pay final judgments aggregating in excess of €40 million other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the "*judgment default provision*");
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior PIK Notes Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €20 million for any reason other than the satisfaction in full of all obligations under the Senior PIK Notes Indenture or the release of any such security interest in accordance with the terms of the Senior PIK Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor

Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer, the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and

- (8) any Note Guarantee of the Company, the Parent or a Significant Subsidiary (other than in accordance with the terms of such Note Guarantee, the Senior PIK Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations)) is held in any judicial proceeding to be unenforceable or invalid or ceases to be in full force and effect or any Guarantor that is a Significant Subsidiary denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

However, a default under clauses (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Senior PIK Notes under the Senior PIK Notes Indenture notify the Issuer of the default and, with respect to clauses (4) and (6) the Issuer does not cure such default within 60 days after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Senior PIK Notes under the Senior PIK Notes Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest (paid at the rate of Cash Interest) on all the Senior PIK Notes under the Senior PIK Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior PIK Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

In the event of a declaration of acceleration of the Senior PIK Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior PIK Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and the annulment of the acceleration of the Senior PIK Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

Holders of the Senior PIK Notes may not enforce the Senior PIK Notes Indenture or the Senior PIK Notes except as provided in the Senior PIK Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior PIK Notes under the Senior PIK Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior PIK Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior PIK Notes Indenture at the request or direction of any of the Holders unless such Holders have offered and, if requested, provided to the Trustee indemnity, security or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior PIK Notes Indenture or the Senior PIK Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 30% in principal amount of the outstanding Senior PIK Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered and, if requested, the Trustee has received, the Trustee security, prefunding or indemnity satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security, prefunding or indemnity; and

- (5) the Holders of a majority in principal amount of the outstanding Senior PIK Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Senior PIK Notes Indenture will provide that, in the event an Event of Default of which the Trustee has actual knowledge has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior PIK Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior PIK Notes Indenture, the Trustee will be entitled to indemnification, security or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

The Senior PIK Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior PIK Note, the Trustee may (without liability for so doing) withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 30 days after any Officer of the Issuer becomes aware of any events which would constitute a Default, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture.

The Senior PIK Notes Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Senior PIK Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior PIK Notes Indenture.

The Senior PIK Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, prefunded or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior PIK Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior PIK Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior PIK Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior PIK Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior PIK Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior PIK Notes). Without the consent of Holders holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding principal amount of the Senior PIK Notes then outstanding, an amendment or waiver may not, with respect to any Senior PIK Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior PIK Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Senior PIK Note;

- (3) reduce the principal of or extend the Stated Maturity of any Senior PIK Note;
- (4) reduce the premium payable upon the redemption of any Senior PIK Note or change the time at which any Senior PIK Note may be redeemed, in each case as described above under "*Optional Redemption*" and "*Redemption for Taxation Reasons*";
- (5) make any Senior PIK Note payable in money other than that stated in the Senior PIK Note;
- (6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior PIK Notes on or after the due dates therefor;
- (7) make any change in the provision of the Senior PIK Notes Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Senior PIK Notes in any material respect or amends the terms of such Senior PIK Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release any security interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior PIK Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior PIK Notes (except pursuant to a rescission of acceleration of the Senior PIK Notes by the Holders of at least a majority in aggregate principal amount of such Senior PIK Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Guarantor from any of its obligations under its Note Guarantee or the Senior PIK Notes Indenture, except in accordance with the terms of the Senior PIK Notes Indenture and the Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior PIK Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person or a co-issuer of the obligations of the Issuer or any Guarantor under any Senior PIK Notes Document, including without limitation, in connection with a Permitted Transaction;
- (3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer, the Company or any Restricted Subsidiary;
- (4) make any change (including changing the ISIN, Common Code or other identifying number on any Notes) that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Senior PIK Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior PIK Notes;
- (6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*", to add Note Guarantees with respect to the Senior PIK Notes, to add security to or for the benefit of the Senior PIK Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof

with respect to or securing the Senior PIK Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior PIK Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

- (7) to conform the text of the Senior PIK Notes Indenture, the Note Guarantees, the Security Documents or the Senior PIK Notes to any provision of this "*Description of the Senior PIK Notes*" to the extent that such provision in this "*Description of the Senior PIK Notes*" was intended to be a verbatim recitation of a provision of the Senior PIK Notes Indenture, the Note Guarantees, the Security Documents or the Senior PIK Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior PIK Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior PIK Notes Document;
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Facilities Agreement, in any property which is required by the Security Documents or the Senior Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior PIK Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*Certain Covenants—Impairment of Security Interest*" is complied with;
- (10) make any amendment to the provisions of the Senior PIK Notes Indenture relating to the transfer and legending of Senior PIK Notes as permitted by the Senior PIK Notes Indenture, including to facilitate the issuance and administration of Senior PIK Notes; *provided*, however, that (i) compliance with this Senior PIK Notes Indenture as so amended would not result in Senior PIK Notes being transferred in violation of the U.S. Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Senior PIK Notes in any material respect;
- (11) comply with the rules of any applicable securities depositary;
- (12) facilitate any transaction that complies with covenants described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and "*Certain Covenants—Merger and Consolidation*", relating to mergers, consolidations and sales of assets; or
- (13) as provided in "*Certain Covenants—Additional Intercreditor Agreements*".

In connection with such matters, the Trustee shall be entitled to receive and rely absolutely on an Officer's Certificate and Opinions of Counsel.

The consent of the Holders is not necessary under the Senior PIK Notes Indenture to approve the particular form of any proposed amendment of any Senior PIK Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior PIK Notes Indenture by any Holder of Senior PIK Notes given in connection with a tender of such Holder's Senior PIK Notes will not be rendered invalid by such tender.

For the avoidance of doubt, no amendment to, or deletion of, or actions taken in compliance with, "*Certain Covenants*" or this "*Amendments and Waivers*" shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Senior PIK Notes.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clauses (3) and (6) of the third paragraph of this section "*Amendments and Waivers*" to add a Guarantor under the Senior PIK Notes Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Senior PIK Notes Indenture need only be duly authorized and executed by the Issuer, the Trustee and the Security Agent (to the extent applicable).

The Senior PIK Notes Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior PIK Notes have concurred in any direction, waiver or consent, the Senior PIK Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Senior PIK Notes that a responsible officer of the Trustee actually knows are so owned will be so disregarded. For the avoidance of doubt, any Independent Debt Fund shall not be considered to be a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Senior PIK Notes and the Senior PIK Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior PIK Notes, registration of Senior PIK Notes, mutilated, destroyed, lost or stolen Senior PIK Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior PIK Notes may not be accelerated because of an Event of Default with respect to such Senior PIK Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior PIK Notes, payment of the Senior PIK Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation*", (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient for the payment of principal, premium, if any, and interest on the Senior PIK Notes to redemption or maturity, as the case may be, *provided*, that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Senior PIK Notes Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "*Applicable Premium Deficit*") only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States, subject to customary assumptions and exclusions, to the effect that Holders of the relevant Senior PIK Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent

provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

- (4) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior PIK Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior PIK Notes, as expressly provided for in the Senior PIK Notes Indenture) as to all outstanding Senior PIK Notes when (1) either (a) all the Senior PIK Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior PIK Notes, and certain Senior PIK Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Senior PIK Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose), money or in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Senior PIK Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior PIK Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be *provided* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of this Senior PIK Notes Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption, and any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption; (3) the Issuer has paid or caused to be paid all other sums payable under the Senior PIK Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Senior PIK Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior PIK Notes Indenture relating to the satisfaction and discharge of the Senior PIK Notes Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer to the Trustee and the Paying Agent, the Trustee, the Paying Agent (or other entity directed, designated or appointed as agent by the Trustee for this purpose) will distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; provided, however, that the Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior PIK Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior PIK Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior PIK Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Senior PIK Notes Indenture. The Senior PIK Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior PIK Notes Indenture.

During the existence of an Event of Default of which the Trustee has actual knowledge, the Trustee will exercise such of the rights and powers vested in it under the Senior PIK Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Senior PIK Notes Indenture will not be construed as an obligation or duty.

The Senior PIK Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates.

The Senior PIK Notes Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Senior PIK Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior PIK Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior PIK Notes Indenture.

Notices

If and for so long as Senior PIK Notes are listed on the Exchange and if and to the extent that the rules of the Exchange so require, notices of the Issuer with respect to the Senior PIK Notes will be sent to the Exchange. In addition, for so long as any Senior PIK Notes are represented by Global Notes, all notices to Holders of the Senior PIK Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given through Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior PIK Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior PIK Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Senior PIK Notes and the Note Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Senior PIK Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior PIK Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior PIK Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior PIK Note or any Note Guarantee of a Senior PIK Note, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

Listing

Application will be made to list the Senior PIK Notes on the Exchange and for permission to be granted to deal in the Senior PIK Notes on the Exchange. There can be no assurance that the application to list the Senior PIK Notes on the Exchange will be approved or that permission to deal in the Senior PIK Notes thereon will be granted, and settlement of the Senior PIK Notes is not conditioned on obtaining this listing or permission.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior PIK Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Senior PIK Notes Indenture and the Senior PIK Notes, the Issuer and the Guarantors will in the Senior PIK Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Senior PIK Notes Indenture and the Senior PIK Notes, and the rights and duties of the parties thereunder, will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"Acquired Indebtedness" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (2) assumed in connection with an acquisition of assets, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer, the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *"control"* when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms *"controlling"* and *"controlled"* have meanings correlative to the foregoing.

"Agreed Security Principles" means the agreed security principles appended to the Senior Facilities Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior PIK Notes in good faith by the Issuer.

"Applicable Premium" means, with respect to any Senior PIK Note the greater of:

- (a) 1% of the principal amount of such Senior PIK Note; and
- (b) the excess (to the extent positive) of:
 - (i) the present value at such redemption date of (A) the redemption price of such Senior PIK Note at _____, 2023 (such redemption price (expressed in percentage of principal amount) being set forth under the heading "*–Optional Redemption*") (excluding accrued and unpaid interest), plus (B) all required interest payments (at a rate equal to the rate applicable to Cash Interest) due on such Senior PIK Note to and including _____, 2023 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
 - (ii) the outstanding principal amount of such Senior PIK Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by the Issuer, the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or the Company, by the Issuer, the Company or a Restricted Subsidiary to a Restricted Subsidiary, by the Issuer to the Company or by the Company to the Issuer;
- (2) a disposition, liquidation or use of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities and the unwinding of any Cash Management Agreements or Hedging Obligations;
- (3) a disposition of inventory, receivables, trading stock, equipment or other assets held for sale or in the ordinary course of business or consistent with past practice;
- (4) a disposition of obsolete, non-core, damaged, retired, surplus, worn out, uneconomic or used equipment or assets or equipment, facilities or other assets that are no longer used or useful or economically practicable or commercially desirable to maintain in the conduct of the business of the Issuer, the Company and the Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under "*–Certain Covenants–Merger and Consolidation*" or a transaction that constitutes a Change of Control or any transaction effected as part of a Permitted Transaction;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer, the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of €20 million and 5% of Consolidated EBITDA;

- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment; or, solely for purposes of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”, asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “*Certain Covenants—Limitation on Liens*”;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer, the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer, the Company or any Restricted Subsidiary;
- (11) (i) the licensing or sub-licensing of intellectual property or other general intangibles (including the provision of software under an open source license) and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice and (ii) dispositions of intellectual property rights that do not materially and adversely interfere with the business of the Issuer, the Company or any Restricted Subsidiary (or Dispositions that avoid such interference by granting to the Issuer, the Company or any Restricted Subsidiary a license or other ownership rights to use such intellectual property rights);
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;
- (14) the discount or other disposal of inventory, accounts receivable or notes receivable or the conversion of accounts receivable to notes receivable or Investments permitted hereunder, (including, for the avoidance of doubt, factoring of accounts receivables and (i) the sale, conveyance, contribution or other transfer of accounts receivable and related assets of the type specified in the definition of “Receivables Financing” in a Factoring Financing or in factoring or similar transactions and (ii) a transfer, collection and/or compromise of accounts receivable and related assets of the type specified in the definition of “Receivables Financing” (or a fractional undivided interest therein) by a Receivables Subsidiary or any other Restricted Subsidiary in a Factoring Financing);
- (15) any issuance, sale, pledge or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any issuance, transfer or disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer, the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer, the Company or any Restricted Subsidiary to such Person;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer, the Company or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or redeemable Capital Stock that is permitted by the covenant described above under “*Certain Covenants—Limitation on Indebtedness*” or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

- (20) sales, transfers or other dispositions of Investments (including Capital Stock) in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant;
- (21) any disposition with respect to property built, owned or otherwise acquired by the Issuer, the Company or any Restricted Subsidiary pursuant to customary sale and leaseback transactions, asset securitizations and other similar financings permitted by the Senior PIK Notes Indenture;
- (22) dispositions required to be made to comply with the order of any governmental authority, including anti-trust authorities or applicable law or otherwise necessary or advisable in the good faith determination of the Issuer to consummate any acquisition;
- (23) the sale of motor vehicles and information technology equipment purchased at the end of an operating lease and resold thereafter;
- (24) dispositions constituting or the making of which is a Permitted Transaction;
- (25) any dispositions of real property and related assets in the ordinary course of business in connection with relocation activities for directors, officers, members of management, employees or consultants;
- (26) any disposition of stores in the ordinary course of business;
- (27) Permitted Intercompany Activities;
- (28) dispositions of assets acquired pursuant to or in order to effect an acquisition which assets are not used or useful to the core or principal business of the Issuer, the Company and the Restricted Subsidiaries;
- (29) any swap of assets in exchange for services or other assets of comparable or greater value or usefulness to the business of the Issuer, the Company and their respective Subsidiaries as a whole, as determined in good faith by the management of the Issuer; and
- (30) a disposition of property or assets if the acquisition of such property or assets was financed with Excluded Contributions and the net cash proceeds from such disposition are used to make a Restricted Payment.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under “*Certain Covenants—Limitation on Restricted Payments*,” the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as a permitted Asset Disposition and/or one of more of the types of Permitted Investments or Investments permitted under “*Certain Covenants—Limitation on Restricted Payments*”.

“Associate” means (i) any Person engaged in a Similar Business of which the Issuer, the Company or any Restricted Subsidiary are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer, the Company or any Restricted Subsidiary of the Company.

“Board of Directors” means (1) with respect to the Issuer or any corporation, the board of directors or managers, or sole director as applicable, of the corporation or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior PIK Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the “Board of Directors of the Issuer” under the Senior PIK Notes Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent Entity pursuant to a delegation of powers of the Board of Directors of the Issuer.

"*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 (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to _____, 2023; *provided, however*, that if the period from the redemption date to _____, 2023 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 _____, 2023 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Munich, Germany or Frankfurt, Germany are authorized or required by law to close and, with respect to payments to be made under the Senior PIK Notes Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as in effect prior to January 1, 2019; *provided* that the Issuer (in its sole discretion) may elect by notice to the Trustee that leases shall (with effect from the date of such notice or such other date notified to the Trustee) be treated in accordance with IFRS in effect from time to time (such election being an "*IFRS 16 Election*") and any lease that would have been treated as an operating lease in accordance with IFRS as in effect prior to January 1, 2019 but that is recognized on the balance sheet of a Person solely as a result of changes becoming effective under the Accounting Principles (including IFRS 16 (Leases)) on or after January 1, 2019, (each, a "*Relevant Capitalized Lease Obligation*") shall be included for all purposes as a Capitalized Lease Obligation from the effective date of the IFRS 16 election. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. The IFRS 16 election shall be one-time and irrevocable.

"*Cash Equivalents*" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, United States or Canadian governments, a Permissible Jurisdiction, Norway or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "*Deposit*") or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Senior Facilities Agreement or by any bank or trust company (a) if at any time since January 1, 2007 the Issuer, the Company or any of their respective Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating

by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

- (5) readily marketable direct obligations issued by the United Kingdom, any state of the United States, any province of Canada, any Permissible Jurisdiction, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United Kingdom, the United States, Canada, a Permissible Jurisdiction, Norway or Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and
- (9) for purposes of clause (2) of the definition of "*Asset Disposition*", the marketable securities portfolio owned by the Issuer, the Company and their respective Subsidiaries on the Issue Date.

"*Cash Management Services*" means any agreement or arrangement to provide (a) any treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, stored value card, purchase or procurement card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements or (b) any documentary letter of credit, performance bond, advance payment bond or bank guarantee facilities or similar facilities or services in each case issued or provided in respect of the obligations of any member of the Issuer, the Company and their respective Subsidiaries arising in the ordinary course of business of the Issuer, the Company and their respective Subsidiaries or consistent with past practice and not for borrowed money.

"*Change of Control*" means the occurrence of any of the following:

- (1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the U.S. Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer or the Company (prior to the completion of the Post-Closing Reorganization) and of the Issuer only (following the completion of the Post-Closing Reorganization); *provided* that for the purposes of this clause, any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group" of related persons is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer, the Company and the Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; or
- (3) prior to the completion of the Post-Closing Reorganization, the Holdcos ceasing to directly own 100% of the total issued share capital of the Company (excluding qualifying management and director shares and shares required by law to be owned by third parties) of KBI ceasing to directly own 100% of the total issued share capital (excluding qualifying management and director shares and shares required by law to be owned by third parties) of the Issuer; or

provided that, in the case of clause (1) or (2), a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer or the Company, prior to the completion of the Post-Closing Reorganization and the Issuer, following the completion of the Post-Closing Reorganization becoming a direct or indirect Wholly Owned Subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's or the Company's Voting Stock, prior to the completion of the Post-Closing Reorganization and the Issuer's Voting Stock, following the completion of the Post-Closing Reorganization immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"CICE" means the competitive and employment tax credit pursuant to the French 3rd Amended Finance Law for 2012 (3^{ème} loi de finances rectificative pour 2012) No. 2012 1510, dated December 29, 2012.

"CIR" means the research tax credit pursuant to, *inter alia*, article 244 quarter B of the French Tax Code (Code général des impôts) and any provision implemented in furtherance or replacement thereof.

"Clearstream" means Clearstream Banking, S.A., or any successor securities clearing agency.

"Collateral" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and or thereafter pursuant to any Security Document to secure the obligations under the Senior PIK Notes Indenture, the Senior PIK Notes and/or any Note Guarantee, including the Shared Collateral and Senior PIK Notes Only Collateral.

"Commodity Hedging Agreement" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"Consolidated Depreciation and Amortization Expense" means, with respect to any Person for any period, the total amount of depreciation and amortization expense of such Person, including the amortization of intangible assets, deferred financing fees or costs and capitalized expenditures and fees, including, without limitation, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of capitalized fees related to any Factoring Financing and the amortization of intangible assets and debt issuance costs, commissions, fees and expenses for such period on a consolidated basis and otherwise determined in accordance with the relevant Accounting Principles.

"Consolidated EBITDA" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes and amounts paid to any Parent Entity in respect of any Tax Sharing Agreement, in each case, solely to the extent such amounts were deducted in computing Consolidated Net Income;
- (3) Consolidated Depreciation and Amortization Expense;
- (4) [reserved];
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Senior PIK Notes Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (each in cash whether or not successful) (including any such fees, expenses or

charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

- (6) any minority interest expense or non-controlling interest consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting, transaction and advisory fees (including termination fees and related indemnities and expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*";
- (8) other non-cash charges, expenses or losses, including non-cash losses on the sale of assets and any write offs or write downs reducing such Consolidated Net Income for such period and any non-cash expense relating to the vesting of warrants (provided that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (1) the Issuer may determine not to add back such non-cash charge in the current period and (2) to the extent the Issuer does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period);
- (9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;
- (10) payments received, or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;
- (11) the amount of loss or discount on sale of receivables and related assets of the type specified in the definition of Receivables Financing incurred in connection with a Factoring Financing;
- (12) any charge recorded in connection with CVAE or any amount of CICE or CIR tax credit received or receivable by the Group during such period;
- (13) the amount of "run rate" cost savings, operating expense reductions and/or synergies (excluding revenue synergies) (other than any of the foregoing related to Specified Transactions which will, for the avoidance of doubt, be calculated pursuant to "*Financial Calculations*"), restructuring charges and expenses or other similar adjustments projected by the Issuer in good faith to result from actions taken or expected to be taken no later than 24 months after the end of such period (including from any actions taken in whole or in part prior to the Issue Date) (which run rate cost savings, operating expense reductions and/or synergies shall be calculated on a pro forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined), net of the amount of actual benefits realized during such period from such actions; provided that such cost savings, operating expense reductions and/or synergies are reasonably identifiable and factually supportable; provided that any such adjustments made under this clause (13), together with any "run rate" adjustments in respect of Specified Transactions, shall not exceed 20% of Consolidated EBITDA after giving effects to all other adjustments permitted by this definition of "Consolidated EBITDA"; and
- (14) to the extent not already otherwise included herein, adjustments and add-backs (including anticipated synergies) for costs or expenses (or, in each case, similar items) made in calculating "Adjusted EBITDA" and "Management Adjusted EBITDA" (which, with respect to add-backs in the calculation of "Management Adjusted EBITDA", shall only include addbacks related to the "Store Optimization Program", "#ForwardOrganization" and "restructuring sales organization") as contained in this offering memorandum to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated and other adjustments of a similar nature to the foregoing;

provided that subject to any adjustments to account for any Specified Transaction, for any Relevant Period which includes any financial quarter ending on or prior to June 30, 2021, for the purposes of calculating the Consolidated Net Leverage Ratio, Fixed Charge Coverage Ratio or compliance with any covenant, basket or ratio hereunder, Consolidated EBITDA shall be deemed to be the following: for the fiscal quarter ended March 31, 2020, €40 million, for the fiscal quarter ended June 30, 2020, €70 million, for the fiscal quarter ended September 30, 2020, €60 million, for the fiscal quarter ended December 31, 2020, €225 million, for the fiscal quarter ended March 31, 2021, €40 million and for the fiscal quarter ended June 30, 2021, €70 million.

"Consolidated Income Taxes" means Taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"Consolidated Interest Expense" means, for any period (in each case, determined on the basis of IFRS), the consolidated interest expense of the Company and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);
- (3) non-cash interest expense;
- (4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (5) all dividends or other distributions in respect of all Disqualified Equity Interests of the Company and all Preferred Equity Interests of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;
- (6) the consolidated interest expense that was capitalized during such period; and
- (7) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness and any prepayment premium or penalty, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or, if applicable, purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Senior PIK Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS, (v) any tax gross-up on any Indebtedness, which is included in interest expenses under the Accounting Principles, (vi) agency fees paid to the facility agents, security agents and other agents under this Agreement or other credit facilities or debt securities, (vii) any additional interest or liquidated damages with respect to failure to comply with any registration rights agreement owing with respect to any securities, (viii) costs associated with obtaining, unwinding or terminating (including at maturity) Hedging Obligations, (ix) penalties and interest relating to taxes, (x) amortization or expensing of deferred financing fees, amendment and consent fees, debt issuance costs, commissions, fees, expenses and discounted liabilities and any other amounts of non-cash interest, (xi) any expensing of bridge, commitment and other financing fees and any other fees related to any acquisitions after the Issue Date, (xii) commissions, discounts, yield and other fees and charges (including any interest expense) related to any Factoring Financing, (xiii) any lease, rental or other expense in connection with a lease obligation (other than a Capitalized Lease Obligation). Consolidated Interest Expense shall not include any interest expense relating to Shareholder Indebtedness or any payment-in-kind interest (whether capitalized or accruing) and (xiv) any interest expense related to a Guarantee of Indebtedness of any Parent Entity if any proceeds loan related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; provided, however, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net

income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Company 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 PIK Notes or the Senior PIK Notes Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Senior Facilities Agreement and the Intercreditor Agreement) and other restrictions with respect to any such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, except that the Company’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any (x) restructuring charge, accrual or reserve (or adjustment to existing reserves) deducted in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with the Transactions and other Investments, the temporary (in respect of stores or facilities) or permanent consolidation or closure of any office or facility and (y) cash expenses or charges relating to curtailments or modifications to pension and post retirement employee benefit plans (including any settlement of pension liabilities), litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);
- (5) the amount of costs relating to severance, signing, relocation, recruiting, retention and completion bonuses and other employee related costs, internal costs incurred in each case in respect of any operational restructuring initiatives, future lease commitments and pre-opening, opening, temporary (in respect of stores and facilities) or permanent abandonment, disposal, discontinuance, closing and consolidation costs for stores, facilities and to existing lines of business, transition costs and costs incurred in connection with non-recurring product and intellectual property development, non-recurring e-commerce development and costs, other business optimization expenses (including costs and expenses relating to business optimization programs), and new systems design and implementation costs and project start-up costs, costs associated with tax projects/audits and costs consisting of professional consulting or other fees relating to any of the foregoing, in each case, deducted in such period in computing Consolidated Net Income;
- (6) the cumulative effect of a change in accounting principles;
- (7) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such

payment was made pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*";

- (8) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (or loss) from any write-off or forgiveness of Indebtedness;
- (9) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;
- (11) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;
- (12) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries;
- (13) any goodwill or other intangible asset impairment charge or write-off or write-down; and
- (14) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries less cash and Cash Equivalents of the Company and its Restricted Subsidiaries consisting of Indebtedness for borrowed money, unreimbursed obligations in respect of drawn letters of credit, Attributable Indebtedness or purchase money debt and debt obligations evidenced by bonds, debentures, loan agreements, promissory notes or similar instruments; provided that (to the extent otherwise included) Consolidated Net Leverage shall not include Indebtedness in respect of:

- (1) any letter of credit (except to the extent of unreimbursed obligations in respect of such drawn letters of credit) or any bank guarantees (except to the extent of unreimbursed obligations in respect of any payments or disbursements made by a guarantee bank in respect of bank guarantees) provided that any unreimbursed obligations in respect of any drawn letters of credit and any unreimbursed obligations in respect of any payments or disbursements made by a guarantee bank in respect of bank guarantees shall not be counted as Consolidated Net Leverage until thirty Business Days after such amount is drawn (it being understood that any borrowing, whether automatic or otherwise, to fund such reimbursement shall be counted);
- (2) the amount of any liability of pensions obligations and Indebtedness relating to pensions liabilities;
- (3) unless an IFRS 16 election has been made, obligations and Indebtedness under any operating lease and the amount of any liability in respect of any finance or a Capitalized Lease Obligation (including Attributable Indebtedness) which would not, in accordance with the relevant Accounting Principles (as in effect prior to January 1, 2019), be treated as a finance lease or a Capitalized Lease Obligation;
- (4) any amount in respect of Cash Management Obligations;
- (5) obligations under Hedging Obligations;
- (6) Shareholder Indebtedness, Investor Liabilities (as defined in the Intercreditor Agreement) and any other Indebtedness provided by a Parent Entity or other direct or indirect investor in the Company to the Company subordinated to the satisfaction of the Majority Lenders (acting reasonably) or intercompany indebtedness of the Group;

(7) any Factoring Financing; and

(8) Unrestricted Subsidiaries.

"Consolidated Net Leverage Ratio" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of such Person for the Relevant Period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) cash shall include all cash at hand or in transit or in tills or payments made by checks or debit cards or credit cards which are yet to be reserved or cleared funds; and
- (2) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the Relevant Period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA; and
- (3) the Consolidated Net Leverage Ratio shall be calculated as set forth under "*Financial Calculations*" above.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Facility" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Senior Facilities 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 Facility*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer and the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"CVAE" means *cotisation sur la valeur ajoutée des entreprises* or any similar tax enacted in replacement or complement thereof.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-Cash Consideration" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer, the Company or any Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"Designated Preference Shares" means, with respect to the Issuer or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer, the Company or a Subsidiary of the Issuer or the Company or an employee stock ownership plan or trust established by the Issuer, the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer, the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clauses (c)(ii) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*", excluding, for the avoidance of doubt, any Preferred Stock issued as part of the Equity Contribution.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior PIK Notes or (b) the date on which there are no Senior PIK Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*Certain Covenants—Limitation on Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior PIK 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. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"Equity Contribution" has the meaning given to such term in the section of this Offering Memorandum captioned "*The Transactions*".

"Equity Offering" means (x) a sale of Capital Stock of a Parent Entity, the Issuer, the Company or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions) other than to the Issuer, the Company or any Restricted Subsidiary, or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer, the Company or any Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer, the Company or any Restricted Subsidiary.

"Escrowed Proceeds" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"Euroclear" means Euroclear Bank SA/NV or any successor securities clearing agency.

"European Government Obligations" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Senior PIK Notes Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"European Union" means all members of the European Union as of December 31, 2018. For the avoidance of doubt, all references to a "member" of the European Union shall include the United Kingdom.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer, the Company or any Subsidiary of the Issuer or the Company for the benefit of its employees to the extent funded by the Issuer, the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer (excluding, for the avoidance of doubt, the Equity Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"Factoring Disposition" means the discount or other disposal of inventory, accounts receivable or notes receivable or the conversion of accounts receivable to notes receivable or Investments permitted hereunder, (including, for the avoidance of doubt, factoring of accounts receivables and (i) the sale, conveyance, contribution or other transfer of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" in a Factoring Financing or in factoring or similar transactions and (ii) a transfer, collection and/or compromise of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) by a Receivables Subsidiary or any other Restricted Subsidiary in a Factoring Financing).

"Factoring Financing" means any Receivables Financing which is in the aggregate economically fair and reasonable (as determined in good faith by Issuer and it being understood that the relevant financing terms, covenants, termination events and other provisions may subsequently be modified so long as such modifications are, at the time of any such modification, in the aggregate economically fair and reasonable) and may include Standard Securitization Undertakings; provided that to the extent such financing is provided with recourse for credit risk to the Issuer or any Guarantor, the maximum aggregate amount of receivables which have been so sold or disposed of and which remain outstanding (other than as a result of a default by the relevant debtor or invalidity of such disposal) on a recourse basis shall not exceed the greater of €40 million and 10% of Consolidated EBITDA. The grant of a security interest in any accounts receivable of Issuer, the Company or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure any Indebtedness shall not be deemed a Factoring Financing.

"fair market value" wherever such term is used in this "Description of the Senior PIK Notes" or the Senior PIK Notes Indenture may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or Board of Directors in good faith.

"Fitch" means Fitch Ratings, or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the Relevant Period available to (y) the Fixed Charges of such Person for such Relevant Period

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the Relevant Period as determined on the basis of CICE applicable to all

relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA; and

- (2) the Fixed Charge Coverage Ratio shall be calculated as set forth under "*Financial Calculations*" above.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Interest Expense of such Person for such period and Receivables Fees for such period; plus
- (2) all cash dividends (excluding items eliminated in consolidation) on or in respect of all Disqualified Stock of the Company or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to the Issuer, the Company or a Restricted Subsidiary.

"*Founders*" means Henning Kreke and (a) his parents or spouse and/or any of Henning Kreke's, his spouse's or his parents' respective direct descendants; or (b) any trust, corporation, partnership, limited liability company or other entity (each an "*investment vehicle*") in relation to which any one or more of Henning Kreke and/or any of the persons specified in paragraph (a) above is (i) a beneficiary or (ii) a shareholder, partner, member or other person controlling such investment vehicle. For the purposes of this definition, "*controlling*" means (A) holding more than 50.1% of the shares or other instruments issued by such investment vehicle and/or (B) being entitled, directly or indirectly, to give directions with respect to the operating and financial policies of such investment vehicle with which the directors or other equivalent officers of such investment vehicle are obliged to comply.

"*German HoldCo*" means any HoldCo that qualifies as German resident (*Inländer*) in the meaning of section 2 paragraph 15 of the German Foreign Trade Act (*Außenwirtschaftsgesetz*).

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term "*Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. The term "*Guarantee*" used as a verb has a corresponding meaning.

"*Guarantor*" means any Person that Guarantees the Senior PIK Notes in accordance with the provisions of the Senior PIK Notes Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Senior PIK Notes Indenture.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holdco*" means (a) for so long as they are the direct shareholders of the Company, KBI and KB2KG; and (b) any replacement holding company referred to in paragraph (ii) of the definition of "*Holdco*" in the Intercreditor Agreement.

"*Holder*" means each Person in whose name the Senior PIK Notes are registered on the Registrar's books, which shall initially be the common depository for the accounts of Euroclear and Clearstream or its nominee.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"IFRS" means International Financial Reporting Standards (formerly International Accounting Standards) ("IFRS") endorsed from time to time by the European Union or any variation thereof with which the Issuer, the Company or the Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior PIK Notes Indenture, all ratios and calculations based on IFRS contained in the Senior PIK Notes Indenture shall be computed in accordance with IFRS from time to time.

"Incur" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for, and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and any Indebtedness pursuant to any revolving credit, bridge or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons);
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) other than as expressly set out in the Senior PIK Notes Indenture (including with respect to Relevant Capitalized Lease Obligations following an IFRS 16 election), any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect prior to the adoption of IFRS 16, (iii) prepayments of deposits received from clients or customers in the ordinary course of business or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit, bridge or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness

of any Person at any date shall be determined as set forth above or otherwise provided in the Senior PIK Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of any Factoring Financing and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (2) in connection with the purchase by the Issuer, the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;*
- (3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (4) Indebtedness of any Parent Entity appearing on the balance sheet of the Company solely by reason of push down accounting under IFRS;
- (5) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);
- (6) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer, the Company and the Restricted Subsidiaries, taken as a whole, that complies with "*–Merger and Consolidation–The Issuer*" and "*–Merger and Consolidation–The Guarantors*";
- (7) any joint and several liability or any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity between Restricted Subsidiaries solely for corporate income tax or value added tax purposes in any jurisdiction of which the Issuer, the Company or a Restricted Subsidiary is or becomes a member;
- (8) liabilities in relation to the minority interests line in the balance sheet of the Company or any Restricted Subsidiary; or.
- (9) in the case of such Person and its Restricted Subsidiaries, exclude intercompany loans and advances having a term not exceeding 364 days (inclusive of any roll over or extensions of terms) and made in the ordinary course of business.

"Independent Debt Fund" means any trust, fund or other entity which has been established primarily for the purpose of purchasing or investing in loans or debt securities (but which has not been formed specifically with a view to investing in the Senior PIK Notes or the Senior Secured Notes) and which is managed independently from all other trusts, funds or other entities managed or controlled by an Initial Investor or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of companies (and, for the avoidance of doubt, but without limitation, an entity trust or fund shall be treated as being managed independently from all other trusts, funds, or other entities managed or controlled by an Initial Investor or any of its Affiliates, if it has a different general partner (or equivalent)).

"Independent Financial Advisor" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; provided, however, that such firm or appraiser is not an Affiliate of the Issuer.

"Initial Investors" means CVC Capital Partners SICAV-FIS S.A and each of its Subsidiaries from time to time and CVC Capital Partners Advisory Group Holding Foundation and each of its Subsidiaries from time to

time and/or investment funds or vehicles advised or managed by any of the foregoing ("*CVC Funds*") and/or any investors or limited partners in the CVC Funds on the Issue Date (but excluding, in each case, any portfolio companies in which CVC Funds hold an interest and CVC Credit Partners Group Holding Foundation and each of its subsidiaries from time to time and any funds or entities advised or managed by them from time to time) (collectively, the "*Sponsor*") and the Founders.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Issuer, the Company or any Parent Entity or any successor of the Issuer, the Company 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 dated on or about the Issue Date, by and among, inter alios, the Issuer, the Security Agent and the Trustee, as amended from time to time.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer, the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer, the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

- (1) "*Investment*" will include the portion (proportionate to prior to the completion of the Post-Closing Reorganization, the Company's and following completion of the Post-Closing Reorganization, the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Investment Grade Securities" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, United States, or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of "BBB-" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating

of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer, the Company and their respective Subsidiaries;

- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and
- (5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"Investment Grade Status" shall occur when all of the Senior PIK Notes receive any two or more of the following:

- (1) a rating of "BBB-" or higher from S&P;
- (2) a rating of "Baa3" or higher from Moody's, and
- (3) a rating of "BBB-" or higher from Fitch,

or the equivalent of such rating by either such rating organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"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 , 2021.

"Issuer" means Blitz D21-542, to be renamed Kirk Beauty SUN GmbH on or around the Issue Date.

"Issuer" means Kirk Beauty SUN GmbH.

"KB2KG" means Kirk Beauty 2 Beteiligungs GmbH & Co. KG.

"KBI" means Kirk Beauty International S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 20, avenue Monterey, L-2163 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 197553.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Limited Condition Transaction" means (1) the consummation of any transaction in connection with any acquisition or similar Investment (including the assumption or incurrence of Indebtedness) and/or (2) the making of any Restricted Payment or Permitted Payment.

"Management Advances" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, independent contractors, employees or consultants of any Parent Entity, the Issuer, the Company or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, the Company, their respective Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €15 million in the aggregate outstanding at any time.

"Management Investors" means (i) members of the management team of the Issuer, the Company or their respective Subsidiaries who subsequently invest directly or indirectly in the Issuer or the Company from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer, the Company or their respective Subsidiaries for future redistribution to the management team of the Issuer, the Company or their respective Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of any Parent Entity, the Issuer, the Company and any Restricted Subsidiary.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Moody's" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) the U.S. Exchange Act.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer, the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"Note Guarantee" means the guarantee by any Guarantor of the Issuer's obligations under the Senior PIK Notes Indenture and the Senior PIK Notes.

"Offering Memorandum" means this offering memorandum in relation to the Senior PIK Notes.

"Officer" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior PIK Notes Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by the Officer of the Issuer, the Company or any other Restricted Subsidiary who has been delegated such authority by the Board of Directors of the Issuer.

"Officer's Certificate" means, with respect to any Person, a certificate signed by one Officer of such Person.

"Opinion of Counsel" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer, the Company or their respective Subsidiaries.

"Parent" means Kirk Beauty One GmbH.

"Parent Entity" means any Person of which the Issuer or the Company at any time is or becomes a Subsidiary after the Issue Date and any Holding Companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity.

"Parent Expenses" means:

- (1) 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 PIK Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer, the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the U.S. Securities Act or the U.S. Exchange Act;
- (2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer, the Company and their respective Subsidiaries;
- (3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer, the Company and their respective Subsidiaries;
- (4) fees and expenses payable by any Parent Entity in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer, the Company or any Restricted Subsidiary, and (b) costs and expenses with respect to the ownership, directly or indirectly, of the Issuer, the Company and the Restricted Subsidiaries by any Parent Entity, (c) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Entity;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer, the Company and their respective Subsidiaries or any Parent Entity or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €5 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer, the Company and the Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes, including payments pursuant to any Tax Sharing Agreement among the Issuer as dominated entity and a German HoldCo as dominating entity (*herrschendes Unternehmen*) required under applicable law and the applicable Tax Sharing Agreement; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amounts required to discharge tax liabilities relating to corporate income tax and trade tax incurred by reference to the income of the Issuer, the Company and any Restricted Subsidiary; and
- (8) expenses Incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:
 - (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer, the Company or any Restricted Subsidiary;

- (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or
- (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Issuer, the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Pari Passu Indebtedness" means (a) any Indebtedness of the Issuer that ranks equally in right of payment with the Senior PIK Notes and (b) with respect to any Note Guarantee of a Guarantor, any Indebtedness that ranks equally in right of payment with such Note Guarantee.

"Paying Agent" means any Person authorized by the Issuer to pay the principal, interest and premium and Additional Amounts, if any, on any Senior PIK Note on behalf of the Issuer.

"Permissible Jurisdiction" means the United Kingdom and any member state of the European Union.

"Permitted Collateral Liens" means Liens on the Collateral:

- (a) that are described in one or more of clauses (2), (3), (4), (5), (6), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of *"Permitted Liens"* and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;
- (b) to secure:
 - (i) the Senior PIK Notes (other than any Additional Senior PIK Notes);
 - (ii) with respect to the Shared Collateral:
 - (A) Indebtedness of the Issuer permitted to be Incurred under (x) the first paragraph of the covenant described under *"Certain Covenants—Limitation on Indebtedness"* or (y) clause (1), (2) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Shared Collateral pursuant to this definition of Permitted Collateral Liens), (4)(a), 4(b), (5), (6) (other than with respect to Commodity Hedging Agreements), (7) (other than with respect to Capitalized Lease Obligations), (8)(d) (in respect of Cash Management Agreements), (12) or (13) of the definition of *"Permitted Debt"* ((x) and (y) together the *"PCL Obligor Debt Baskets"*), in each case to the extent that such Indebtedness constitutes *Pari Passu Indebtedness* of the Issuer;

provided that such Liens rank equal with or junior to the Liens securing the Senior PIK Notes;
 - (B) Indebtedness of any Guarantor permitted to be Incurred under the PCL Obligor Debt Baskets; provided that (x) if such Indebtedness constitutes Senior Indebtedness of such Guarantor, such Liens rank (1) equal with all other Liens on such Collateral securing Senior Indebtedness (or on a super priority basis in respect of the proceeds from the enforcement of the Shared Collateral to the extent permitted by the Intercreditor Agreement) or (2) equal with or junior to the Liens securing the Senior PIK Notes and (y) if such Indebtedness constitutes *Pari Passu Indebtedness* of such Guarantor, such Liens rank equal or junior to the Liens securing the Senior PIK Notes;
 - (C) Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted to be Incurred under clause 4(a), 4(b), (6) (other than with respect to Commodity Hedging Agreements), (7) (other than with respect to Capitalized Lease Obligations), (8)(d) (in respect of Cash Management Agreements) or (13) of the definition of *"Permitted Debt"* (together the *"PCL Non-Obligor Debt Baskets"*); provided that such Liens rank (x) equal with all other Liens on such Collateral securing Senior Indebtedness (or on a super priority basis in respect of the proceeds from the enforcement of the Shared Collateral to the extent permitted by the Intercreditor Agreement) or (y) equal with or junior to the Liens securing the Senior PIK Notes;

- (iii) with respect to the Senior PIK Notes Only Collateral, (A) Indebtedness of the Issuer or a Guarantor permitted to be Incurred under the PCL Obligor Debt Baskets *provided* that such Liens rank equal with or junior to the Liens securing the Senior PIK Notes and (B) Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted to be Incurred under the PCL Non-Obligor Debt Baskets; *provided* such Liens rank (1) equal with all other Liens on such Collateral securing Senior Indebtedness or (2) equal with or junior to the Liens securing the Senior PIK Notes; and
- (iv) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii);

provided that, each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

- (c) Incurred in the ordinary course of business of the Issuer, the Company or any Restricted Subsidiary with respect to obligations that in total do not exceed the greater of €20 million and 5% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's, Company's or such Restricted Subsidiary's business.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Holders" means, collectively, (1) the Sponsor, (2) the Founders, (3) the Management Investors, (4) any Related Person of any Persons specified in clause (1) or (3), (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer or the Company, acting in such capacity and (6) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the U.S. Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Capital Stock of the Issuer or Company prior to the completion of the Post-Closing Reorganization and the Issuer following the completion of the Post-Closing Reorganization or any of its direct or indirect Parent Entities held by such group. Any Person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior PIK Notes Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Intercompany Activities" means any transactions (a) between or among the Issuer, the Company or any Restricted Subsidiary that are entered into in the ordinary course of business of the Issuer, the Company and the Restricted Subsidiaries and, in the good faith judgment of the Issuer are necessary or advisable in connection with the ownership or operation of the business of the Issuer, the Company and the Restricted Subsidiaries, including, but not limited to, (i) payroll, cash management, purchasing, insurance and hedging arrangements, (ii) management, technology and licensing arrangements and (iii) customer loyalty and rewards programs and (b) between or among the Issuer, the Company, the Restricted Subsidiaries, any captive insurance subsidiaries and/or any employee benefit trust (or similar scheme).

"Permitted Investment" means (in each case, by the Company or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer, or the Company or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer, the Company or a Restricted Subsidiary;

- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in or relating to a Receivables Subsidiary or any Investment by a Receivables Subsidiary or any other Restricted Subsidiary in any other person in connection with a Factoring Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Factoring Financing, any contribution of replacement or substitute assets to such subsidiary, or any related Indebtedness in connection therewith;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances and any advances or loans not to exceed the greater of €20 million and 5% of Consolidated EBITDA at any one time outstanding to 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 Capital Stock (other than Disqualified Stock) of the Issuer or a Parent Entity of the Issuer;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer, the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior PIK Notes Indenture;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*Certain Covenants—Limitation on Indebtedness*";
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €60 million and 15% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or consistent with past practice or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*Certain Covenants—Limitation on Liens*";
- (13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*" except for this described in clauses (1), (3), (8) or (9) and (12);

- (15) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business or consistent with past practice;
- (16) Investments in loans under the Senior Facilities Agreement, the Senior PIK Notes and any Additional Senior PIK Notes;
- (17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer, the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer, the Company or any Restricted Subsidiary in a transaction that is not prohibited by the covenant described above under the caption “—*Certain Covenants—Merger and Consolidation*” to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (18) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements that are related to the Issuer’s, the Company’s or any Restricted Subsidiary’s business;
- (19) Permitted Intercompany Activities;
- (20) Investments constituting or the making of which is a Permitted Transaction;
- (21) Investments by the Issuer, the Company or a Restricted Subsidiary in Joint Ventures, taken together with all other Investments made pursuant this paragraph (21) and at any time outstanding, in aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments), without giving effect to subsequent changes in value, not to exceed the greater of €60 million and 15% of Consolidated EBITDA;
- (22) Investments by the Issuer, the Company or a Restricted Subsidiary in Unrestricted Subsidiaries, taken together with all other Investments made pursuant this paragraph (22) and at any time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash or marketable securities (until such proceeds are converted to Cash Equivalents), in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments), without giving effect to subsequent changes in value, not to exceed the greater of €60 million and 15% of Consolidated EBITDA;
- (23) Investments by Issuer, the Company or a Restricted Subsidiary in Persons engaged in similar business as the Issuer, the Company and the Restricted Subsidiaries, taken together with all other Investments made pursuant this paragraph (23) and at any time outstanding, in aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments), without giving effect to subsequent changes in value, not to exceed the greater of €60 million and 15% of Consolidated EBITDA; provided, however, that if any Investment pursuant to this paragraph (23) is made in any Person that is not a Restricted Subsidiary at the date of the making of such investment and such Person becomes a Restricted Subsidiary after such date, such investment shall thereafter be deemed to have been made pursuant to paragraph (c) above and shall cease to have been made pursuant to this paragraph (gg); and
- (24) Investments in or constituting Cash Management Agreements.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be Incurred solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investment, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of (i) any direct or indirect Restricted Subsidiary that is not a Guarantor securing Indebtedness of any direct or indirect Restricted Subsidiary that is not a

Guarantor or (ii) the Company or any Restricted Subsidiary securing Senior Indebtedness of a Guarantor (*provided* that, unless such Lien is a Permitted Collateral Lien, such Lien ranks equally with all other Liens on such asset or property securing any Senior Indebtedness), in each case permitted by the covenant described under “*Certain Covenants—Limitation on Indebtedness*”;

- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business or consistent with past practice;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer, the Company or any Restricted Subsidiary in the ordinary course of its business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer, the Company and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer, the Company and the Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer, the Company or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations or any Cash Management Agreement;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business or consistent with past practice;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer, the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under “*Certain Covenants—Limitation on Indebtedness*” and (b) any such Lien may not extend to any assets or property of the Issuer, the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

- (11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer, the Company and the Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on, or provided for or required to be granted under written agreements existing on the Issue Date;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer, the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer, the Company or any Restricted Subsidiary), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of the Issuer, the Company or any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer, the Company or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior PIK Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer, the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (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 on accounts receivable and related assets incurred in connection with a Factoring Financing;
- (22) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;
- (23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with

whom the Issuer, the Company or any Restricted Subsidiary maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens on Capital Stock or other securities, property or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "*Cash Equivalents*" in connection with the disposal thereof to a third party;
- (27) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior PIK Notes, and (b) Liens pursuant to the Intercreditor Agreement;
- (28) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (28) does not exceed the greater of €80 million and 20% of Consolidated EBITDA;
- (29) 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;
- (30) Liens or assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";
- (31) Liens securing Indebtedness or other obligations of a Receivables Subsidiary; and
- (32) Liens created or subsisting in order to secure any pensions liabilities or partial retirement liabilities.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Transaction" means:

- (1) any disposal required, indebtedness incurred, guarantee, indemnity, security or quasi-security given, or other transaction arising, under, pursuant to or in accordance with the Transactions;
- (2) any merger, reorganisation, dissolution or liquidation permitted by the covenant described under "*—Certain Covenants—Merger and Consolidation*";
- (3) any step, circumstance, event or transaction as part of a customary debt pushdown or an IPO Debt Pushdown;
- (4) the Transactions and any payments or other transaction contemplated by or relating to the Transactions (and any intermediate steps or actions necessary to implement the Transactions), and any steps, payments or transactions in connection with the funding of the Senior Facilities Agreement or the issuance of the Senior PIK Notes and/or a rollover or exchange of commitments or participations or Indebtedness in relation to the Senior Facilities Agreement or the Senior PIK Notes; and
- (5) any conversion of a loan, credit or any other indebtedness outstanding into distributable reserves, share capital, share premium or other equity interests of any member of the Restricted Group or any other capitalization, forgiveness, waiver, release or other discharge of any loan, credit or other Indebtedness of any member of the Restricted Group, in each case on a cashless basis.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Post-Closing Reorganization" has the meaning given to such term in this Offering Memorandum under the caption *"Summary–Post-Closing Reorganization"* and all corporate and other actions to be taken by the Issuer, the Company and the Restricted Subsidiaries related thereto

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Proceeds Loans" means the €300 million loan to be made under the loan agreement to be entered into on the Issue Date between the Issuer, as lender, and the Company, as borrower, and any loans to be made after the Issue Date under such agreement, in each case pursuant to which the gross proceeds of the issuance of the Senior PIK Notes have been or will be advanced to the Issuer, as amended, accreted or partially repaid from time to time.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the U.S. Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"Public Market" means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"Public Offering" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

"Purchase Money Obligations" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person who is not a Restricted Subsidiary, in connection with a Factoring Disposition.

"Receivables Financing" any transaction or series of transactions that may be entered into by the Issuer, the Company or any Subsidiary of the Issuer or the Company pursuant to which the Issuer, the Company or any of their respective Subsidiaries may sell, convey or otherwise transfer to a Receivables Subsidiary or any other person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer, the Company or any of their respective Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer, the Company or any such Subsidiary in connection with such accounts receivable.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Factoring Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a wholly owned Restricted Subsidiary (or another person formed for the purposes of engaging in a Factoring Financing with the Issuer or the Company in which the Issuer, the Company or any Subsidiary of the Issuer or the Company makes an Investment and to which the Issuer, the Company or any Subsidiary of the Issuer or the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer, the Company and their respective Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the board of directors of the Issuer as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer, the Company or any other Subsidiary of the Issuer or the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) has recourse to or obligates the Issuer, the Company or any other Subsidiary of the Issuer or the Company in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or the Company or any other Subsidiary of the Issuer or the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer, the Company or any other Subsidiary of the Issuer or the Company has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer, the Company or such Subsidiary than those that might be obtained at the time from persons that are not Affiliates of the Issuer or the Company; and
- (3) to which neither the Issuer, the Company or any other Subsidiary of the Issuer or the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"refinance" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances"*, *"refinanced"* and *"refinancing"* as used for any purpose in the Senior PIK Notes Indenture shall have a correlative meaning.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Senior PIK Notes Indenture (including Indebtedness of the Issuer or the Company) that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however, that:*

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Senior PIK Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior PIK Notes, such Refinancing Indebtedness is subordinated to the Senior PIK Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Issuer, the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"Related Person" with respect to any Permitted Holder, means:

- (1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"Related Taxes" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer, the Company or any of their respective Subsidiaries);
- (b) issuing or holding Subordinated Shareholder Funding;
- (c) being a Holding Company, directly or indirectly, of the Issuer, the Company or any of their respective Subsidiaries;
- (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer, the Company or any of their respective Subsidiaries; or
- (e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*Certain Covenants—Limitation on Restricted Payments*".

"Relevant Period" means: (a) if ending on the last day of a fiscal quarter, each period of four consecutive fiscal quarters ending on the last day of a fiscal quarter; or (b) if ending on the last day of a calendar month or any other date not being the last day of a fiscal quarter, the period of 12 consecutive months ending on the last day of a calendar month or such other appropriate date.

"Replacement Assets" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's or the Company's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or an Officer of the Issuer are reasonably related thereto.

"Representative" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means prior to the completion of the Post-Closing Reorganization, any Subsidiary of the Company other than an Unrestricted Subsidiary and after completion of the Post-Closing Reorganization, any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"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.

"SEC" means the U.S. Securities and Exchange Commission.

"Security Documents" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior PIK Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Senior PIK Notes Indenture.

"Senior Credit Facilities" means the term and revolving facilities made available under the Senior Facilities Agreement.

"Senior Facilities Agreement" means the senior facilities agreement dated on _____, 2021 that the Issuer has entered into with, *inter alios*, Deutsche Bank AG, London Branch, as agent and security agent and Deutsche Bank AG, London Branch, Goldman Sachs Bank Europe SE, BNP Paribas SA, UBS Europe SE and UniCredit Bank AG as lead arrangers, as the same may be amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"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:

- (a) any Indebtedness Incurred in violation of the Senior PIK Notes Indenture;
- (b) any obligation of the Issuer or any Guarantor to any Restricted Subsidiary;
- (c) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;
- (d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);
- (e) any Indebtedness, guarantee or obligation of the Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer or such Guarantor;
- (f) Pari Passu Indebtedness; or
- (g) any Capital Stock.

"Secured Indebtedness" means, with respect to any Person as of any date of determination,
(a) Consolidated Net Leverage that is secured by a Lien on the Collateral securing the Senior PIK Notes or the Note Guarantees (other than to the extent only secured with Liens on *"Senior Unsecured Shared Security"* (as defined in the Intercreditor Agreement)) and any Refinancing Indebtedness in respect thereof plus
(b) following an IFRS 16 Election, Relevant Capitalized Lease Obligations.

"Senior PIK Notes Documents" means the Senior PIK Notes (including Additional Senior PIK Notes), the Senior PIK Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"Senior Secured Notes" has the meaning given to such term under *"Description of the Senior Secured Notes"*.

"Senior Secured Notes Indenture" means the indenture or indentures governing the Senior Secured Notes.

"Senior Secured Notes Issuer" means Douglas GmbH.

"Significant Subsidiary" means (a) any Restricted Subsidiary or group of Restricted Subsidiaries (taken together) whose proportionate share of Consolidated EBITDA exceeds 10% of the Consolidated EBITDA by reference to the latest financial statements delivered to Holders and (b) any other Restricted Subsidiary that is a TLB Borrower under and as defined in the Senior Facilities Agreement.

"Similar Business" means (a) any businesses, services or activities engaged in by the Issuer, the Company or any of their respective Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"Specified Transaction" means any Investment that results in a Person becoming a Restricted Subsidiary, any designation of a Subsidiary as a Restricted Subsidiary or an Unrestricted Subsidiary, any Disposition, acquisition of assets, merger, amalgamation, consolidation or disposed, ceased or discontinued operations, any incurrence or repayment of Indebtedness (other than Indebtedness incurred or repaid under any revolving credit facility in the ordinary course of business for working capital purposes), Restricted Payment, Subsidiary designation, Change of Control or other event that by the terms of the Senior PIK Notes Indenture requires a test of an incurrence-based permission, test, ratio, threshold, basket or any Default, Event of Default or other breach of the Senior PIK Notes Indenture.

"Specified Change of Control Event" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio would have been less than 4.75 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior PIK Notes Indenture after the Issue Date.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer, the Company or any Subsidiary of the Issuer or the Company which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in *"–Change of Control"* and the covenant under *"–Certain Covenants–Limitation on Sales of Assets and Subsidiary Stock"*, to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Indebtedness" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior PIK Notes or any Note Guarantee pursuant to a written agreement.

"Subordinated Shareholder Funding" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the six-month anniversary of the Stated Maturity of the Senior PIK Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior PIK Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the six-month anniversary of the Stated Maturity of the Senior PIK Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior PIK Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the six-month anniversary of the Stated Maturity of the Senior PIK Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the six-month anniversary of the Stated Maturity of the Senior PIK Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer, the Company or any of their respective Subsidiaries;
- (5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of

payment to the Senior PIK Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Investor Liabilities" (as defined therein); and

- (6) prior to the completion of the Post-Closing Reorganization, be expressly subordinated pursuant to section 39(2) of the German Insolvency Code (*Insolvenzordnung*).

"Subsidiary" means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
 - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
 - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Tax Sharing Agreement" means any tax sharing agreement and/or profit and loss pooling agreement (*Ergebnisabfuhrungsvertrag*) and/or domination agreement (*Beherrschungsvertrag*) entered into between the Issuer as dominated entity and a German HoldCo as dominating entity (*herrschendes Unternehmen*) in order to establish a fiscal unity (*Organschaft*) between the Issuer and a German HoldCo, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and this Agreement, and any arrangements or transactions made between the Issuer and a German HoldCo in order to satisfy the obligations of the Issuer or a German HoldCo under any such Tax Sharing Agreement (including, for the avoidance of doubt, upstream loans and distribution of profits or capital reserves from the Issuer to a German HoldCo to enable such German HoldCo to compensate the Issuer for losses incurred which may need to be compensated by such German HoldCo under any profit and loss pooling agreement and/or domination agreement).

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and collection duties with respect thereto) that are imposed by any government or other taxing authority.

"Temporary Cash Investments" means any of the following:

- (1) any investment in:
 - (a) direct obligations of, or obligations Guaranteed by, (i) the United Kingdom, the United States or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer, the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or
 - (b) direct obligations of any country recognized by the United States rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
 - (a) any lender under the Senior Facilities Agreement;

- (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (7) below; or
- (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer, the Company or any of their respective Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United Kingdom, United States, Canada, any Permissible Jurisdiction, Norway or Switzerland or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United Kingdom, United States, Canada, a Permissible Jurisdiction, Norway, Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940.

"Transactions" has the meaning given to such term in this Offering Memorandum under the captions "Summary—The Transaction" and "Summary—Post-Closing Reorganization" and all corporate and other actions to be taken by the Issuer, the Company and the Restricted Subsidiaries related thereto.

"Uniform Commercial Code" means the New York Uniform Commercial Code.

"Unrestricted Subsidiary" means:

- (1) prior to the completion of the Post-Closing Reorganization, any Subsidiary of the Company and after the completion of the Post-Closing Reorganization, the Issuer (other than the Company, the Senior Secured Notes Issuer and the Parent) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of, prior to the completion of the Post-Closing Reorganization, the Company and after the completion of the Post-Closing Reorganization, the Issuer (other than the Issuer, the Company and the Parent) (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer, the Company or any other Subsidiary of the Issuer or the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer or the Company in such Subsidiary complies with "*Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (a) no Default or Event of Default would result therefrom and (b) (x) the Company could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*U.S. Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

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 "Rule 144A Global Notes"). Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the "Rule 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 Rule 144A Global Notes ("Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. 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 the Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Book-Entry Interests in the Senior PIK Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1 in excess thereof.

Except under the limited circumstances described below, 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 receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of Notes under the Indentures for any purpose.

So long as the Notes are held in global form, the nominee of the common depository for Euroclear and/or Clearstream will be considered the sole registered holder of the 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.

None of the Issuers, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar, nor any of their respective affiliates 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 either Euroclear or Clearstream notifies the applicable Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the applicable 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 Indentures and enforcement action is being taken in respect thereof under the Indentures.

In such an event, the applicable 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 Indentures or applicable law.

To the extent permitted by law, the applicable Issuer, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the relevant Global Notes will be evidenced through registration from time to time at the registered office of the applicable Issuer and such registration is a means of evidencing title to the Notes.

The Issuers will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The 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, if any, 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. The applicable Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior PIK Notes—Withholding Taxes*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior PIK Notes—Withholding Taxes*," the applicable Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The applicable Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indentures governing the Notes, the applicable Issuers, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar and their respective agents will treat the registered holder of the Global Notes (*i.e.*, the nominee of the common depository for Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency 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 each Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indentures.

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 and certification requirements 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.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the relevant Rule 144A Global Note.

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 applicable Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exception (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 PIK 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 PIK Notes—Transfer and Exchange" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indentures) 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 applicable Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuers, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar 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 Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global clearance and settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuers, any Guarantor, the Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent or the Registrar will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear 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.

CERTAIN TAX CONSEQUENCES

German taxation

The following is a general discussion of certain German tax consequences of the acquisition, ownership and disposal of the Notes. This discussion does not purport to be a comprehensive description of all German 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 or retrospective effect.

The law as currently in effect provides for a reduced tax rate ("**flat tax regime**"; *Abgeltungssteuer*) for certain investment income and, in particular, interest income on the part of German tax resident private investors. There is an ongoing discussion in Germany whether the reduced tax rate should be increased or abolished so that investment income would be taxed at higher rates. It is still unclear whether, how and when the current discussion may result in any legislative changes. If the "flat tax regime" for interest income were repealed, this would, most likely, result in the taxation of interest income (derived from private investments) at the regular progressive tax rates of up to 45% (plus a 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon) on the part of German tax resident individuals.

PROSPECTIVE HOLDERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE 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 (e.g., 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"). 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%). If the individual holder is subject to church tax, a church tax surcharge will also be withheld. For the church tax surcharge, an electronic information system for church withholding tax purposes applies 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 generally also applies to any gains from the sale, transfer 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 sale, transfer or redemption of the Notes and (after the deduction of actual expenses directly related thereto) the acquisition costs. If Notes held or managed in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining any capital gains. Where the Notes are acquired and/or sold in a currency other than Euro, the sales/redemption price and/or the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale, transfer or redemption date and the acquisition date respectively. If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are 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 (e.g. by the previous Disbursing Agent), the tax at a rate of 25% (plus 5.5% solidarity surcharge thereon, the total withholding being 26.375% and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the sale, transfer or redemption of the Notes.

In computing any withholding tax, the Disbursing Agent generally deducts 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 also deducts

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 credits 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 to the extent 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 (including those investing via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) should in essence not be subject to the withholding tax on gains from the sale, transfer or redemption of the Notes (i.e., for these investors only interest payments, but not gains from the sale, transfer 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.

Interest and capital gains received on the Notes by non-tax residents of Germany are, in general, not subject to German withholding tax or solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as set forth under “–Taxation of Current Income and Capital Gains–Non Tax Residents”) and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be (partially) refunded based on an assessment to tax or under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection “*Tax Residents*” refers to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management is located in Germany).

Private Individual Investors

Income (i.e., interest and capital gains) derived under the Notes held by a private individual investor who is tax resident in Germany, irrespective of any holding period, is in general subject to German income tax at a flat tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

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 into the Notes assessed in accordance with the general rules on determining an individual’s tax bracket if this would result in a lower tax burden. The deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

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 if applicable, thereon). If the withholding tax on a sale, transfer or redemption of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than on the basis of 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 set off 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 set off against investment income generated in future assessment periods. However, if the losses result from the full or

partial non-recoverability of the repayment claim under the Notes including a default of the Issuer or a (voluntary) waiver, such losses together with other losses of such kind of the same year and loss-carry forwards of previous years can only be offset up to an amount of EUR 20,000 ("**Limitation on Loss Deduction**"). Any exceeding loss amount can be carried forward and offset against future investment income, but again subject to the EUR 20,000 limitation. Pursuant to the legislative reasoning, a non-recoverability shall also be assumed if, based on the overall assessment of the facts and circumstances, it becomes apparent that the Issuer will not redeem the Notes in full, e.g. because the solvency risk has already materialized. Given that the Limitation on Loss Deduction will not be applied by the German Disbursing Agent (as defined above) holding the Notes in custody, holders suffering losses which are subject to the Limitation on Loss Deduction are required to declare such losses in their income tax return.

Business Investors

Interest payments and capital gains from the sale, transfer 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 as advance payment against the personal or corporate income tax liability of the holder. To the extent the amount withheld exceeds the (corporate) income tax liability, the withholding tax is—as a general rule—refundable.

The interest payments and capital gains are also subject to German trade tax (*Gewerbesteuer*), if the Notes are attributable to a German trade or business. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

This subsection "*Non-Tax Residents*" refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management is not located in Germany).

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the sale, transfer or redemption of the Notes received by holders who are not tax resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income. To the extent the German source income is subject to German withholding tax, this withholding tax is, in general, final and the German tax liability is satisfied by the tax withheld.

Where the German source income is not subject to German withholding tax or in case Notes form part of the business property of a German permanent establishment as described in this paragraph above, a tax regime similar to that explained above under "*Tax Residents*" applies. Subject to certain requirements, a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*) and German tax law.

Inheritance and Gift Tax

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 who previously maintained a residence in Germany 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 (for the avoidance of doubt, except for any notarial fees). Under

certain conditions, entrepreneurs (for value added tax purposes) may opt for a liability to value added tax with regard to the sale of Notes which would otherwise be tax exempt. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

Amendments to the Solidarity Surcharge (*Solidaritätszuschlag*) Regime

As of the assessment period 2021, the solidarity surcharge has been partially abolished for certain individuals. The solidarity surcharge, however, continues to apply for capital investment income and, thus, on withholding taxes levied. In case the individual income tax burden for an individual holder is lower than 25% the holder can apply for his/her capital investment income being assessed at his/her individual tariff-based income tax rate in which case solidarity surcharge would be refunded.

The proposed Financial Transactions Tax

The European Commission has published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax (the “**FTT**”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. However, Estonia has since stated that it will not participate.

The Commission’s Proposal is currently under review and remains subject to negotiations between the participating member states. The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

However, it is still unclear if and when an FTT will be implemented and what the exact scope will be.

Prospective holders of the Notes could be exposed to higher transaction fees and are advised to seek their own professional advice in relation to the FTT.

Certain United States Federal Income Tax Considerations

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 offering at the original offering price, hold 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 purchase, ownership and disposition of a Note. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks and certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, investors required to take certain amounts into income no later than the time such amounts are reflected on their audited financial statements, U.S. expatriates, tax-exempt entities, pass-through entities (including partnerships and S-corporations) or persons holding 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 Notes in connection with a permanent establishment or fixed base outside of the United States. This summary also does not address U.S. federal taxes other than the income tax (such as the Medicare surtax on net investment income or estate or gift taxes) or U.S. state and local, or non-U.S. tax laws or considerations. The following discussion assumes that the Notes will be treated as indebtedness for U.S. federal income tax purposes.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM ITS OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN NOTES UNDER THE LAWS OF GERMANY, THE UNITED STATES AND ITS 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 U.S. federal income 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 a Note 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 a Note.

Senior Secured Notes

Characterization of the Senior Secured Notes

All or a portion of the Senior Secured Notes may be redeemed prior to their stated maturity at redemption prices equal to 100% of the principal amount of the relevant Notes redeemed plus accrued and

unpaid interest to the redemption date and additional amounts, if any, plus either (i) a “make-whole” premium or (ii) a premium over their principal amount, as described under “*Description of the Senior Secured Notes—Optional Redemption.*” In addition, upon the occurrence of certain events constituting a change of control, the holders of the Senior Secured Notes will have the right to require the Senior Secured Notes Issuer to offer to repurchase the Senior Secured 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 as described under “*Description of the Senior Secured Notes—Change of Control.*” The rules applicable to debt instruments with payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount or the contingency is neither remote nor incidental, the debt instrument could be subject to special rules that apply to contingent payment debt instruments (“CPDIs”). The Senior Secured Notes Issuer intends to take the position that the occurrence of such events is remote and that, therefore, the possibility of such payments does not result in the Senior Secured Notes being treated as CPDIs for U.S. federal income tax purposes. The Senior Secured Notes Issuer’s position is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position on a statement attached to its tax return in the manner required by applicable U.S. Treasury regulations. The Senior Secured Notes Issuer’s position is not, however, binding on the U.S. Internal Revenue Service (“IRS”), and if the IRS were successfully to assert, and a court were to sustain, a contrary position, all stated interest received by U.S. Holders would generally be treated as original issue discount (“OID”) with the result that a U.S. Holder may be required to accrue OID on the Senior Secured Notes prior to receipt of or in excess of stated interest and gain realized on a sale or other taxable disposition of the Senior Secured Notes would be treated as ordinary income rather than as capital gain. The remainder of this discussion assumes that the Senior Secured Notes will not be treated as CPDIs. Prospective purchasers of the Senior Secured Notes should consult their own tax advisors regarding the treatment of the Senior Secured Notes as CPDIs.

Interest and Original Issue Discount on Senior Secured Notes

Interest on the Senior Secured Notes, including any tax withheld therefrom and Additional Amounts paid in respect of such withholding, if any, generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. The interest generally 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 Senior Secured Notes are issued with more than a statutory de minimis amount of 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 Senior Secured Notes will be issued with OID to the extent that their stated redemption price at maturity exceeds their issue price. However, a U.S. Holder will not have to accrue the OID if such excess is less than $\frac{1}{4}$ of 1% of the stated redemption price at maturity of the Senior Secured Notes multiplied by the number of complete years to their maturity (“de minimis OID”). The issue price of the Senior Secured Notes is the initial price at which a substantial amount of the Senior Secured Notes are first sold to the public (excluding sales to underwriters, placement agents, brokers or similar persons). The stated redemption price at maturity is generally the sum of all payments due on a Senior Secured Note other than payments of stated interest that is unconditionally payable at least annually at a single fixed rate or, subject to certain conditions, one or more qualified floating rates. Any redemption premium that the Senior Secured Notes Issuer is required to offer to pay following a Change of Control is not part of the stated redemption price for this purpose because the Senior Secured Notes Issuer does not believe that a Change of Control is significantly more likely than not to occur. The applicable “make whole” premium or redemption premium, if any, due on an optional redemption of the Senior Secured Notes, in whole or in part, is not treated as part of the stated redemption price for this purpose because under applicable OID rules, an issuer option that would increase a debt instrument’s yield to maturity are presumed not to be exercised. OID, if any, will be treated as ordinary income from sources outside of the United States.

If the Senior Secured Notes are issued with more than a statutory de minimis amount of OID, a U.S. Holder generally must include in income the sum of the “daily portions” of OID with respect to a Senior Secured Note for each day during the taxable year or portion of the taxable year in which such holder held that Senior Secured Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. The “accrual period” for a debt instrument issued with OID may be of any length and may vary in length over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. OID for any accrual period will be determined in Euro and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual method U.S. Holder, as described below.

The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of: (i) the product of the Senior Secured Note’s “adjusted issue price” at the beginning of the accrual period and its yield to maturity, determined on the basis of compounding at the close

of each accrual period and properly adjusted for the length of the accrual period, over (ii) the aggregate of all qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. The "adjusted issue price" of a note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, and reduced by any payments previously made on the Senior Secured Note other than a payment of qualified stated interest. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all yield on a Senior Secured Note (including de minimis OID) using a constant yield method. The constant yield election will generally apply only to the Senior Secured Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

A cash basis U.S. Holder receiving stated 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 OID) 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). 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, with respect to interest received within five business days of the last day of an interest accrual period, the spot exchange rate on the date of receipt. 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 IRS.

Upon receipt of a payment in Euro (including, upon sale of a Senior Secured Note, the receipt of proceeds which include accrued OID and accrued, unpaid interest previously included in income), U.S. Holders that have accrued interest or OID (to the extent thereof, if any) will recognize foreign currency 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. Foreign currency gain or loss generally will be U.S. source ordinary income or loss.

For purposes of this discussion, the "spot exchange rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency other than the U.S. dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The "average rate" for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

Disposition of Senior Secured Notes

A U.S. Holder generally will recognize gain or loss on a sale, retirement, redemption or other taxable disposition of a Senior Secured 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 Senior Secured Note. A U.S. Holder's adjusted tax basis in a Senior Secured Note will generally be its purchase price as determined at the U.S. dollar value of the Euro used to purchase it at the spot exchange rate on the purchase date (or, if the Senior Secured Notes are traded on an established securities exchange and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date), increased by the U.S. dollar amount of OID included in the U.S. Holder's income with respect to the Senior Secured Note, if any, and less the U.S. dollar value of any payments previously received by the holder (other than payments of stated interest).

Gain or loss recognized on a disposition of a Senior Secured Note will generally be treated as from U.S. source and will, except to the extent of any foreign currency gain or loss, be capital gain or loss. Payments that are attributable to accrued interest or OID, if any, 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 under "*Interest and Original Issue Discount*." Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Senior Secured 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, retirement, redemption or other taxable disposition of a Senior Secured Note will realize an amount equal to the U.S. dollar value of the currency on the date of sale. If the Senior Secured Notes are traded on an established securities market, a cash

basis U.S. Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. A U.S. Holder will have a tax basis in the currency equal to the U.S. dollar amount realized. 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 foreign currency 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 foreign currency gain or loss on sale or other taxable disposition of a Senior Secured Note equal to the difference between the U.S. dollar value of the principal amount of the Senior Secured Note on the date of acquisition and the date of disposition (or, if the Senior Secured 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). In addition, upon the sale, redemption or other taxable disposition of a Senior Secured Note, a U.S. Holder may recognize foreign currency gain or loss attributable to amounts received with respect to accrued and unpaid interest and accrued OID, if any, which will be treated as discussed above under “*Interest and Original Issue Discount*.” Foreign currency gain or loss cannot exceed overall gain or loss realized on a disposition of the Senior Secured Note. Foreign currency gain or loss generally will be U.S. source ordinary income or loss.

Senior PIK Notes

Characterization of the Senior PIK Notes

The Senior PIK Note Issuer intends to take the position that the Senior PIK Note Issuer and each U.S. Holder are entitled to account for the Senior PIK Notes using a payment schedule in which it is assumed the Senior PIK Note Issuer has elected to pay all stated interest on the Senior PIK Notes as Cash Interest rather than as PIK Interest and that the Senior PIK Notes accordingly are not subject to the CPDI rules. This assumption regarding accrued interest being paid as Cash Interest is made solely for U.S. federal income tax purposes and does not constitute a representation by the Senior PIK Note Issuer regarding the likelihood that interest on the Senior PIK Notes will be paid as Cash Interest or PIK Interest.

Moreover, in certain circumstances, the Senior PIK Note Issuer may be obligated to make payments in excess of stated interest (including PIK Interest, if any) and the principal of the Senior PIK Notes and/or redeem the Senior PIK Notes in advance of their stated maturity. All or a portion of the Senior PIK Notes may be redeemed prior to their stated maturity at redemption prices equal to 100% of the principal amount of the relevant Senior PIK Notes redeemed plus accrued and unpaid interest (paid at the rate of Cash Interest) to the redemption date and additional amounts, if any, plus either (i) a “make-whole” premium or (ii) a premium over their principal amount, as described under “*Description of the Senior PIK Notes—Optional Redemption*.” In addition, upon the occurrence of certain events constituting a change of control, the holders of the Senior PIK Notes will have the right to require the Senior PIK Note Issuer to offer to repurchase the Senior PIK 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 as described under “*Description of the Senior PIK Notes—Change of Control*.” The rules applicable to debt instruments with payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount or the contingency is neither remote nor incidental, the debt instrument could be subject to special rules that apply to CPDIs. The Senior PIK Note Issuer intends to take the position that the occurrence of such events is remote and that, therefore, the possibility of such payments does not result in the Senior PIK Notes being treated as CPDIs for U.S. federal income tax purposes.

The Senior PIK Note Issuer’s position is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position on a statement attached to its tax return in the manner required by applicable U.S. Treasury regulations. The Senior PIK Note Issuer’s position is not, however, binding on the IRS and if the IRS were successfully to assert, and a court were to sustain, a contrary position, U.S. Holders would be required to accrue interest income at a rate higher than the stated rate for Cash Interest, regardless of the U.S. Holder’s accounting method and gain realized on a sale or other taxable disposition of the Senior PIK Notes would be treated as ordinary income rather than as capital gain. The remainder of this discussion assumes that the Senior PIK Notes will not be treated as CPDIs. Prospective purchasers of the Senior PIK Notes should consult their own tax advisors regarding the treatment of the Senior PIK Notes as CPDIs..

Interest and Original Issue Discount on Senior PIK Notes

The Senior PIK Notes will be treated as being issued with OID for U.S. federal income tax purposes because no portion of the stated interest on the Senior PIK Notes is unconditionally payable in cash at least annually and, therefore, no stated interest payments on the Senior PIK Notes will be treated as qualified stated interest for purposes of determining the amount of OID. As a result, the Senior PIK Notes will be treated as issued with OID in an amount equal to the excess of the sum of all payments of principal and stated interest on the Senior PIK Notes (initially taking into account the assumption that Cash Interest will be paid, as described above) over their issue price (the initial price at which a substantial amount of the Senior PIK Notes are first sold to the public (excluding sales to underwriters, placement agents, brokers or similar persons)).

A U.S. Holder of Senior PIK Notes must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. A U.S. Holder generally must include in income accrued OID. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a debt instrument issued with OID may be of any length and may vary in length over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. OID for any accrual period will be determined in Euro and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual method U.S. Holder, as described below.

The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the product of the Senior PIK Note's "adjusted issue price" at the beginning of the accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity and the adjusted issue price at the beginning of the final accrual period. The "adjusted issue price" of a note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, and reduced by all payments, if any, previously made on the Senior PIK Note. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

Any payment of PIK Interest will not be treated as a payment of interest on the Senior PIK Notes for U.S. federal income tax purposes. Instead, any PIK Interest paid on a Senior PIK Note will be treated together with the Senior PIK Note as a single note for U.S. federal income tax purposes.

As discussed above under "*Characterization of the Senior PIK Notes*," for purposes of calculating the yield to maturity of the Senior PIK Notes, the Senior PIK Note Issuer intends to take the position that the Senior PIK Note Issuer and each holder are entitled to assume initially that all of the interest on the Senior PIK Notes will be paid in cash. This assumption is made solely for U.S. federal income tax purposes and does not constitute a representation regarding the likelihood that the Senior PIK Note Issuer will pay Cash Interest. If, contrary to this assumption, the Senior PIK Note Issuer pays PIK Interest in any period, then solely for the purposes of determining the amount of OID on the Senior PIK Notes going forward, the Senior PIK Notes will be treated as retired and reissued on the date on which the Senior PIK Note Issuer pays such PIK Interest for an amount equal to their then adjusted issue price, and the yield to maturity of the Senior PIK Notes will be redetermined taking into account the change in circumstances. In such event, the deemed reissued Senior PIK Notes could be retested for the application of the CPDI rules and could be subject to the CPDI rules. U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences of the payment of PIK Interest.

A cash basis U.S. Holder receiving a payment of Cash Interest or accrued OID 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 OID) 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). 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, with respect to interest received within five business days of the last day of an interest accrual period, the spot exchange rate on the date of receipt. 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 IRS.

Upon receipt of a payment in Euro (including, upon sale of a Senior PIK Note, the receipt of proceeds which include accrued OID and accrued, unpaid interest previously included in income), U.S. Holders that have accrued interest or OID (to the extent thereof, if any) will recognize foreign currency 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. Foreign currency gain or loss generally will be U.S. source ordinary income or loss.

Disposition of Senior PIK Notes

A U.S. Holder generally will recognize gain or loss on a sale, retirement, redemption or other taxable disposition of a Senior PIK Note in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. Holder's adjusted tax basis in the Senior PIK Note.

A U.S. Holder's adjusted tax basis in a Senior PIK Note will generally be its purchase price as determined at the U.S. dollar value of the Euro used to purchase it at the spot exchange rate on the purchase date (or, if the Senior PIK Notes are traded on an established securities exchange and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date), increased by the U.S. dollar amount of OID included in the U.S. Holder's income with respect to the Senior PIK Note, if any, and less the U.S. dollar value of any payments of Cash Interest previously received by the holder.

Although not free from doubt, if the Senior PIK Note Issuer pays PIK Interest on a Senior PIK Note, a U.S. Holder's adjusted tax basis in the Senior PIK Note should be allocated between such Senior PIK Note and any PIK Notes received in connection with the payment of PIK Interest in proportion to their relative principal amounts. A U.S. Holder's holding period in any such PIK Note would likely be identical to its holding period for the original Senior PIK Note with respect to which the PIK Note was received.

Gain or loss recognized on a disposition of a Senior PIK Note will generally be treated as from U.S. source and will, except to the extent of any foreign currency gain or loss, be capital gain or loss. Payments that are attributable to accrued OID, if any, will be treated as OID for U.S. federal income tax purposes and will be treated in accordance with the rules applicable to OID discussed above under "*Original Issue Discount on the Senior PIK Notes*." Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Senior PIK Notes 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, retirement, redemption or other taxable disposition of a Senior PIK Note will realize an amount equal to the U.S. dollar value of the currency on the date of sale. If the Senior PIK Notes are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. A U.S. Holder will have a tax basis in the currency equal to the U.S. dollar amount realized. 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 foreign currency 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 foreign currency gain or loss on sale or other taxable disposition of a Senior PIK Note equal to the difference between the U.S. dollar value of the principal amount of the Senior PIK Note on the date of acquisition and the date of disposition (or, if the Senior PIK 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). In addition, upon the sale, redemption or other taxable disposition of a Senior PIK Note, a U.S. Holder may recognize foreign currency gain or loss attributable to amounts received with respect to accrued OID, if any, which will be treated as discussed above under "*Original Issue Discount on the Senior PIK Notes*." Foreign currency gain or loss cannot exceed overall gain or loss realized on a disposition of the Senior PIK Note. Foreign currency gain or loss generally will be U.S. source ordinary income or loss.

IPO Debt Pushdown

In connection with a public equity offering (an "IPO Event"), we may issue a notice to the Trustees (a "Pushdown Notice") requiring that, among other matters, the terms of the relevant Notes Documents shall operate with effect from the date specified in the relevant Pushdown Notice on the basis that references to the relevant Issuer, TopCo and Restricted Subsidiaries (and all related provisions) shall apply only to our Restricted Subsidiary or Parent Entity that will or has issued shares, or whose shares are to be or were sold, pursuant to that IPO Event (the "IPO Pushdown Entity") and its Restricted Subsidiaries from time to time, including that each reference in the Indentures or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the relevant Issuer shall be deemed to be a reference to such IPO Pushdown Entity (such change in terms, an "IPO Debt Pushdown") and the restricted group shall consist of the IPO Pushdown Entity and its Restricted Subsidiaries (the "Pushdown Group"). In such event, each holding company of the IPO Pushdown Entity, and each Guarantor or security provider that is not a member of the Pushdown Group would be released from its obligations under the applicable Indenture and the Notes and the Notes Guarantees and the covenants under the Indentures governing the Notes will no longer apply to such entities. See "*Description of Certain Financing Arrangements–Intercreditor Agreement–IPO Debt Pushdown*", "*Description of the Senior Secured Notes–IPO Debt Pushdown*" and "*Description of the Senior PIK Notes–IPO Debt Pushdown*."

Such change in the terms of the Notes could be treated for U.S. federal income tax purposes as a deemed exchange of the originally issued Notes for new Notes, which would generally be treated as a taxable exchange for such purposes in which beneficial owners of the Notes would be required to recognize any gain or loss. Furthermore, for U.S. federal income tax purposes, the new Notes deemed issued in such a deemed exchange could be treated as issued with OID. In such event, noteholders that are subject to U.S. federal income tax would be required to include the OID in their income as it accrues, in advance of the receipt of cash

corresponding to such income. Noteholders that are subject to U.S. federal income tax should consult their own tax advisors as to the U.S. federal income tax considerations relating to potential modifications of the Notes in connection with the IPO Debt Pushdown.

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 individual 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 INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND SECURITY INTERESTS

European Union

Pursuant to Council Regulation (EC) No. 848/2015 on insolvency proceedings (as amended, the “Recast EU Insolvency Regulation”), replacing Council Regulation (EC) No. 1346/2000, the court which shall have jurisdiction to open main insolvency proceedings in relation to a company is the court of the member state of the European Union (other than Denmark) where the company concerned has its “center of main interests” at the time the relevant insolvency proceedings are opened. The determination of where such company has its “center of main interests” is generally a question of fact on which the courts of different EU Member States may have differing and even conflicting views. Under Article 4 of the Recast EU Insolvency Regulation, a court that is requested to open insolvency proceedings shall examine, of its own motion, whether it has jurisdiction pursuant to Article 3.

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. In accordance with Article 3(1) of the Recast EU Insolvency Regulation the center of main interests shall be the place where such company conducts the administration of its interests on a regular basis and which is ascertainable by third parties and there is a rebuttable presumption, in the absence of proof to the contrary, that the place of its registered office is its center of main interests. Factors such as the location where board meetings are held and the location where the company conducts the majority of its business, with a special focus on the perception of the company’s creditors of the local center of the company’s business operations, may all be relevant in determining whether such proof to the contrary can be established.

If the center of main interests of such 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 Recast 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 Recast EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State 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 Recast EU Insolvency Regulation. Irrespective of whether the insolvency proceedings are main or territorial proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

In the event that the 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 the Issuer and the collateral provided by the 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.

The concept of “group proceedings” has been introduced in the Recast EU Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies. Under Article 61 of the Recast EU Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group proceedings and adherence to the coordinating insolvency practitioner’s recommendations or plan, however, is voluntary.

Germany

Insolvency

The Issuers and certain Guarantors, are organized under the laws of Germany, have their registered offices in Germany and substantially all of their assets are located in Germany. Consequently, under Article 3(1) of the Recast EU Insolvency Regulation, absent any change in circumstances, the Issuers’ and certain Guarantors’ center of main interests at the time of an application for the opening of insolvency proceedings

(*Insolvenzeröffnungsantrag*) is likely to be in Germany, and insolvency proceedings are likely to be initiated in Germany, in which case German insolvency law would govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany:

Under German insolvency law, 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. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies as well as the concentration of proceedings at the same court. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio* but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely for a prognosis period covering the next twelve months (*positive Fortführungsprognose*). The management of a limited liability company (*Gesellschaft mit beschränkter Haftung*—*GmbH*), a European law stock corporation based in Germany (*Societas Europaea*—*SE*) or a German stock corporation (*Aktiengesellschaft*) or any other company not having an individual as personally liable shareholder and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest (i) within 3 weeks after the mandatory insolvency reason of, illiquidity occurred and (ii) within 6 weeks after the mandatory insolvency reason of over-indebtedness occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In particular, once illiquidity or over-indebtedness has occurred, any payments, including any payments under the Notes, may be voidable. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably (predominantly likelihood) not be able to continue to do so at some point in time within a certain prognosis period (such period generally being 24 months). However, in the case of imminent illiquidity only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the COVID 19 Pandemic, which was adopted on 27 March 2020 (as amended from time to time, the "COVInsAG"), provides, *inter alia*, for a suspension of the obligation to file for insolvency until, currently, April 30, 2021. The suspension—as in force from January 1, 2021—applies to debtors who, in the period from November 1, 2020 to February 28, 2021, have applied for financial assistance under state assistance programs to mitigate the consequences of the COVID-19 pandemic or have been prevented, as eligible debtors, from filing such application for legal or factual reasons, unless the insolvency is not caused by consequences of the COVID 19 pandemic and there is obviously no prospect of obtaining the state financial assistance or the assistance that can be obtained is insufficient to eliminate the over-indebtedness or illiquidity. The COVInsAG also provides for a certain relief from claw back provisions, if the debtor fulfilled the requirements for the suspension of filing duties, for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*). Furthermore,

for an interim period until December 31, 2021, the COVInsAG reduces the forecast period (*Fortführungsprognose*) relevant for determining whether a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*) for the purposes of the assessment of the insolvency ground of over-indebtedness from twelve months to four months provided that the debtor's over-indebtedness is caused by the COVID-19 Pandemic, which is assumed if (i) the debtor was not cash-flow insolvent as of December 31, 2019, (ii) the debtor's result from its ordinary business activity was positive in the last financial year prior to January 1, 2020, and (iii) the revenue from the debtors' ordinary business activity in calendar year 2020 was more than 30% lower than the revenue in calendar year 2019.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—provided that, inter alia, the debtor has enclosed a detailed and coherent self-administration plan (*Eigenverwaltungsplanung*) to the petition for the debtor-in-possession status and no circumstances are known which indicate that key aspects of the self-administration planning are based on inaccurate facts. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on the profile of the officeholder to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; i.e., incompetent and/or not impartial). 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 duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor in possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e., sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims

that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9% of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvent estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full. Hence, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy unsecured creditors of the Issuers or under a guarantee granted by any German guarantor in full after the secured creditors have been satisfied. 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.

While in ordinary insolvency proceedings, the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aiming at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court. If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., these can be transferred to third-parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (i.e., imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile, the court may grant a period of up to three months to utilize up an insolvency plan for the debtor business (*Schutzschirm*). In addition, for an interim period until December 31, 2021, debtors have access to the protective shield proceedings (*Schutzschirmverfahren*) even in the state of illiquidity (*Zahlungsunfähigkeit*) if such illiquidity occurred due to COVID-19. During the respective period granted by the court to prepare the insolvency plan, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (i.e., is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement 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 insolvency estate. 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 the event of insolvency proceedings with respect to the Issuers based on and governed by the insolvency laws of Germany, the payment of any amounts to the noteholders as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code. In case the validity or enforceability of the Notes or any collateral in favor of the Notes is avoided successfully, you may not be able to recover any amounts under the Notes or the collateral. If payments have already been made under the Notes or collateral, the insolvency administrator may require that the recipients return the payment to the insolvency estate and you would instead then only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- any act granting a creditor security (*Sicherung*) or satisfaction for a debt (*Befriedigung*) can be avoided if the act was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was cash flow

insolvent (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge thereof or of the debtor being cash flow insolvent (or knowledge of circumstances which imperatively suggested such cash flow insolvency or filing);

- any act granting a creditor security (*Sicherung*) or satisfaction for a debt (*Befriedigung*) to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be avoided if the act was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was cash flow insolvent, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor;
- any legal transaction (*Rechtsgeschäft*) effected by the debtor which is directly detrimental to the creditors of the debtor can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the legal transaction the debtor was insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the legal transaction had knowledge thereof or of the debtor being insolvent;
- if an act whereby a debtor grants security for a third party debt is regarded as having been granted gratuitously (*unentgeltlich*), such gratuitous transaction can be avoided unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;
- any non-gratuitous contract concluded between the debtor and an affiliated party (*nahestehende Person*) which directly operates to the detriment of the creditors can be avoided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'affiliated party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security (*Sicherung*) or satisfaction for a claim (*Befriedigung*) of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event it provided security (*Sicherung*), if the transaction was effected within the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it provided satisfaction (*Befriedigung*), if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

For purposes of the above, the knowledge of circumstances from which a compelling conclusion regarding the debtor's insolvency or regarding the filing of a petition for the opening of insolvency proceedings can be drawn, will be considered tantamount to the actual knowledge of the debtor's insolvency or of the filing of the petition for the opening of insolvency proceedings.

The COVInsAG, however, provides for privileged treatment of new financing and shareholder loans under German insolvency law claw-back provisions during a certain time during the COVID-19 pandemic. On that basis, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by before September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and April 30, 2021 and the debtor fulfilled the requirements for the suspension of the filing duties at the time. This privilege also covers the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral to secure the repayment of shareholder loans or receivables resulting from legal transactions which are economically equivalent to such a loan.

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

Finally, the insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for restitution of a shareholder loan or claims resulting from legal transactions corresponding in economic terms to such a loan.

Restructuring Proceedings

On June 20, 2019, the European Parliament and the Council have adopted a new directive, which aims to ensure that minimum restructuring measures are available in the Member States to enable debtors in financial distress to solve their problems at an early stage and to avoid formal insolvency proceedings (Directive of the European Parliament and the Council (EU) 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending directive (EU) 2017/1132 (the "**Preventive Restructuring Directive**").

In Germany, the Preventive Restructuring Directive was implemented by the law on the Further Development of the German Restructuring and Insolvency Laws, which became effective on January 1, 2021. An essential part of the law is the introduction of a new Act on a Stabilisation and Restructuring Framework for Enterprises ("**Company Stabilisation and Restructuring Act**"), which establishes a comprehensive legal framework for out-of-court restructurings in Germany.

Proceedings under the Company Stabilisation and Restructuring Act ("**Restructuring Proceedings**") are initiated through a notification by the respective debtor to affected creditors and/or the competent restructuring court (*Anzeige des Restrukturierungsvorhabens*). A debtor can access the new restructuring tools of the Company Stabilisation and Restructuring Act upon the occurrence of imminent illiquidity (*drohende Zahlungsunfähigkeit*) which is triggered when it is predominantly likely that the debtor will not be able to meet its future payment obligations that fall due over the next 24 months. The debtor's management is not obliged to make use of the tools of the Company Stabilisation and Restructuring Act. Therefore, the debtor may alternatively file for regular insolvency proceedings if the respective requirements are met (see above under "*Insolvency*").

Unlike insolvency proceedings, the tools under the Company Stabilisation and Restructuring Act do not necessarily cover all of a debtor's liabilities, as the debtor has a certain amount of flexibility under the Company Stabilisation and Restructuring Act to adapt the scope of the available tools to cover either all of the debtor's liabilities, only certain types (e.g., financial liabilities, including under the Notes), or only selected liabilities. In addition and depending on the extent to which a debtor requires to make use of certain legal tools available under the Company Stabilisation and Restructuring Act, the involvement of the competent

restructuring court can be kept to a minimum and the tools can—under certain circumstances—even be used without the need for any public notices despite being binding on affected creditors. The tools available under the Company Stabilisation and Restructuring Act may in the case of a group of companies only be used for each entity separately (an important exception is the ability to extend the effect of certain tools to cover security provided to secure debts owed by the debtor and granted by entities that are connected entities (*verbundene Unternehmen*) of the debtor). However, the Company Stabilisation and Restructuring Act provides for a respective application of the provisions of the German Insolvency Code which implemented the law to facilitate the mastering of group insolvencies (see above under “*Insolvency*”).

The core component of the Company Stabilisation and Restructuring Act is an out-of-court restructuring of a debtor’s liabilities via a restructuring plan, including, e.g., by way of changes to the principal amounts, interest rates and/or maturities of liabilities. Such restructuring plan may also negatively impact (including, e.g., a release of) collateral granted for the benefit of the Notes by the debtor as well as its subsidiaries, parent and sister companies. A restructuring plan can generally be adopted and become binding for creditors upon being approved by the required majority or majorities of a debtors’ creditors. The restructuring plan will be voted on in classes. The adoption of the restructuring plan requires, in principle, that in each class a majority of three-quarters of the voting rights approve the plan (whereas voting rights are determined by the amount of the claim, the value of the security and, in the case of share or membership rights, the share of the subscribed capital of the debtor). However, if more than one class is formed, the restructuring plan can even be adopted and become binding on creditors if creditor class(es) have not approved the plan, provided certain requirements are met and the restructuring court confirms the restructuring plan (*cross-class cramdown*).

The Company Stabilisation and Restructuring Act provides for additional tools that may be used by the debtor so as to facilitate the preparation, negotiations and implementation of a restructuring plan. These tools include a stabilisation order by the restructuring court (which is granted upon the application by the debtor). Such stabilisation order can restrict enforcement measures by certain or all creditors. The stabilisation order can initially be granted for a maximum period of up to three months, with subsequent orders to extend the stabilisation order up to a maximum of eight months subject to certain conditions being satisfied.

For the holders of the Notes, among the relevant consequences of the use of any tools available under the Company Stabilisation and Restructuring Act by the Issuers, a German guarantor or any other guarantor having its centre of main interest in Germany would be the following:

- The negotiation and drafting of a restructuring plan by the debtor is potentially subject to no or only limited review and/or supervision by a court;
- restrictions on individual enforcement or foreclosure actions for all or certain creditors for a period of up to eight months due to a stabilisation order;
- any claims and rights of the holder of the Notes can be subject to and potentially be compromised by the restructuring plan (e.g. in relation to claims in the form of a reduction in principal and/or interest or a deferral and in relation to security rights in the form of a release and an adjustment of the ranking of the security right);
- any collateral granted by the debtor as well as intra-group collateral may be subject to Restructuring Proceedings potentially leading to a negative impact on the respective collateral;
- a restructuring plan can be adopted and the measures therein can become binding on any holder of the Notes without the consent of each holder of the Notes and, if the prerequisites for a cross-class cram-down are fulfilled, even without the consent of any of the holders of the Notes;

Restructuring plans which are public and confirmed by a German restructuring court will be recognized in any EU member state pursuant to the EU Insolvency Proceedings Regulation (Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings) upon such proceeding being included as a recognized proceeding in Exhibit A of that Regulation (which has, as of the date of this offering memorandum, not yet been initiated). In any other case, the recognition of the restructuring plan is subject to certain rules and regulations under applicable international private law.

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

The granting of guarantees and security interests by German subsidiary guarantors is subject to certain limitations under German law.

Any guarantee and security interest granted by a German guarantor being a direct or indirect subsidiary of the Issuers incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*–“GmbH”) or a limited partnership with a limited liability company as general partner (*GmbH & Co. KG*) is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*–“GmbHG”).

As a general rule, sections 30 and 31 of the GmbHG (“Sections 30 and 31”) prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH’s, or in the case of a GmbH & Co. KG, its general partner’s net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) is or would fall below, or increases or would increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees and any other security granted by a GmbH or by a GmbH & Co. KG in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and security interests securing liabilities of a direct or indirect parent or a sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called–limitation language–in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such limitation language, the enforcement of any subsidiary guarantee and security documents given by the German subsidiary incorporated as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or as a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*) will be limited if and to the extent payments under any such subsidiary guarantee or, as the case may be, the enforcement of security documents would cause the German subsidiary Guarantor’s (or, in the case of a GmbH & Co. KG, its general partner’s) net assets to fall below, or increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*) (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any security and guarantee provided by a (direct or indirect) subsidiary of the Issuers in the legal form of a GmbH or a GmbH & Co. KG incorporated or established in Germany will contain such limitation language in the manner described.

Furthermore, the validity and enforceability of any guarantee and security interest granted by a German guarantor being a direct or indirect subsidiary of the Issuers incorporated in Germany in the form of a stock corporation (*Aktiengesellschaft*–“AG”) or of any subsidiary of the AG are subject to certain provisions of the German Stock Corporation Act (*Aktengesetz*–“AktG”).

As a general rule, section 71a of the AktG prohibits an AG such as Douglas Holding AG (and any of its subsidiaries) from making any payment, granting any loan, any security (including any guarantee) or any other benefit to any other person for the purpose of, with a view to or in support of, the (direct or indirect) acquisition of any shares in the AG. According to section 71a of the AktG any transaction or agreement providing for any such financial assistance would be held void. In addition, section 57 of the AktG prohibits an AG generally from disbursing its assets to its (direct or indirect) shareholders or to its sister companies. Therefore, in order to enable a German subsidiary incorporated as an AG or subsidiaries of an AG to grant guarantees and security interests securing liabilities of a direct or indirect parent or sister company without the risk of violating sections 57 and 71a of the AktG and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called–limitation language–in relation to subsidiaries incorporated in Germany in the legal form of an AG (such as Douglas Holding AG) and any of the AG’s subsidiaries. Pursuant to such limitation language, the subsidiary guarantee and security documents given by the German subsidiary incorporated as an AG or any subsidiaries of an AG do not secure any liabilities of a direct or indirect parent or sister company of the AG (or any of its subsidiaries) unless the AG is subject to a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) as the dominated entity (*beherrschtes Unternehmen*) with a direct or indirect shareholder or any subsidiary of such shareholder (other than the AG and the subsidiaries of the AG) as the dominating entity (*herrschendes Unternehmen*). If the AG is subject to such a domination and/or profit and loss pooling agreement as the dominated entity, payments under the subsidiary guarantee or, as the case may be, the enforcement of security documents may be limited by reference to the dominating entity’s ability to compensate losses of the AG under the domination and/or profit and loss pooling agreement due to the dominating entity’s solvency situation. Accordingly, any security and guarantee provided by a (direct or indirect) subsidiary of the Issuers in the legal form of an AG incorporated in Germany and any subsidiary of the AG will contain such limitation language 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 or the security interests pursuant to the security documents. In addition, subsidiary guarantees in other jurisdictions may be subject to similar limitations.

German capital maintenance and financial assistance rules and other restrictions referred to above are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of

shareholders to assets of the German subsidiary guarantors, which can negatively affect the ability of the Issuers to make payment on the Notes, of the German subsidiary guarantors to make payments on the subsidiary guarantees or of the secured parties to enforce any collateral.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding section 64 sentence 3 of the German Limited Liability Company Act (*GmbHG*) now contained in section 15b para 5 InsO (i.e. a situation where a managing director makes a payment to the GmbH's shareholder which inevitably leads to the illiquidity of the GmbH) or a 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 payment obligations towards its creditors (or in the case of a GmbH & Co. KG, its general partner)) may be applied by courts with respect to the enforcement of a subsidiary guarantee or collateral granted by the German subsidiary guarantors or security provider. In such case, the amount of proceeds permitted or capable to be realized in an enforcement process may be (further) reduced (up to zero). According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), *inter alia*, a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of subsidiary guarantees by the German subsidiary guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the subsidiary guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*) or had reason to enquire further with respect thereto.

Accessory security interests / Parallel debt

Under German law, certain security interests such as pledges (*Pfandrechte*) are of a strict accessory nature (*akzessorisch*) and are therefore dependent on the corresponding secured claims and require the security holder and the creditor of the secured claims to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned, and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interests. The accessory security interests will only be granted to the Security Agent. The Security Agent is however not a creditor under the Notes or the Note Guarantees, in contrast with holders of the Notes (the "Holders"), who are creditors under the Notes and the Note Guarantees. In order to allow the Holders to benefit from such accessory security interests, the accessory security interests will only secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent, rather than securing the Holders' claims under the Notes and the Note Guarantees directly. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuers and the Guarantors under the Notes and the Note 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. Although the Security Agent will have, pursuant to the parallel debt, a theoretical legal claim against the Issuers and the Guarantors for the full principal amount of the Notes and the Note Guarantees, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, the possibility cannot be ruled out that this concept will not be recognized by German courts or that the courts will eliminate or mitigate the validity or the enforceability of accessory security interests, and that the ability of the Security Agent to enforce the collateral may thus be restricted.

Under German mandatory law, the value of collateral transferred or assigned for security purposes must not be excessive. Due to German mandatory law, Security grantors may have a right to claim the release of certain collateral in case of a subsequent over-collateralization (where the value of security interest granted significantly and not only temporarily exceeds the amount of the secured obligations), or security interest can even be deemed void in case of an initial excessive over-collateralization. As a general rule, value of collateral should not exceed the amount of the secured obligations by more than 50%. A security transfer or assignment violating this rule either in itself or in combination with other security interests will be deemed void if the violation exists at the time the collateral is granted. If the ratio is exceeded later as a result of partial prepayment or of progressing repayment of the secured obligations, the security grantor is entitled to a corresponding ratable release of the collateral. There is no clear authority as to how the ratio has to be applied in the context of a financing involving several companies and to what extent accessory forms of collateral (i.e., account pledges, claim pledges and share or interest pledges) granted for the same obligations have to be taken into account. While the German Federal High Court (*Bundesgerichtshof*) does the calculation on a case-by-case basis, legal authors estimate that an initial over-collateralization is given if the realization value of the security exceeds the aggregate amount of secured claims by more than 50%.

In addition, 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 and notice requirements 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. Finally, the provision of Guarantees and execution of the Collateral will be subject to certain Agreed Security Principles that could relieve certain Guarantors or security providers of the obligation to provide guarantees and/or grant security interests in assets otherwise expected to form part of the Collateral, which could have a material adverse impact on the credit support available to you in connection with your investment in the Notes.

As a matter of applicable German law (Section 20 para. 1 of the German Transformation Act–*Umwandlungsgesetz*), upon the registration of any post-closing merger with the competent commercial register of the acquiring legal entity (*übernehmender Rechtsträger*), all assets and liabilities of the transferor entity (*übertragender Rechtsträger*) transfer to the acquiring legal entity by way of universal succession (*Universalsukzession*) and the transferor ceases to exist.

Discharge of assigned receivables

Furthermore, under conflict of laws rules, the enforceability of an assignment against the obligor of the assigned right will typically be governed by the law applicable to the assigned right. The assignability of a claim governed by German law may be limited because of the nature of the assigned claim or as a result of an agreement between the creditor and the obligor thereof. Although a contractual agreement cannot validly preclude an assignment if the assigned claim results from a transaction entered into between two commercial parties, any payment on such claim to the assignor will extinguish such claim in a corresponding amount. As long as the obligor of an assigned claim is not aware of the assignment, such third-party debtor is entitled to assume that the assignor is still the creditor (e.g. the claim will extinguish if and to the extent that the debtor pays the assignor).

Italy

Enforcement limitations

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, inter alia, the following aspects:

- a) an Italian court will not necessarily grant any specific enforcement, precautionary measures or remedy the availability of which is subject to equitable consideration or which is otherwise at the discretion of the Court;
- b) pursuant to Article 1241 and following of the Italian Civil Code concerning set-off of reciprocal obligations ("*compensazione*"), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;
- c) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- d) claims may become barred under statutes of limitation (*prescrizione* or *decadenza*) or may be or become subject to the defence of set-off or to counterclaim, including counterclaims related to counterparties' default (*eccezione di inadempimento*);
- e) the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence ("*colpa grave*"), willful misconduct ("*dolo*") or the violation of mandatory provisions;
- f) to the extent that any matter is expressed to be determined by future agreement or negotiation, the relevant provision may be unenforceable or void by reason of its uncertainty;
- g) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation; and
- h) a security interest does not prevent creditors of the relevant debtor, other than the grantee of such security interest, from seeking attachment or continuing enforcement or enforcement proceedings on the assets secured by the relevant security interest.

Trust and Security Agent

Under Italian law the beneficiary of a security interest must be clearly identified and indicated in the relevant security document. It is uncertain and untested in the Italian courts whether, under Italian law, a security interest 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 or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; (ii) in favor of a “trustee” on the basis that the recent Italian law provisions on “collateral agent” (as set out under Article 2414-bis of the Italian Civil Code) do not apply to the Senior Secured Notes Trustee or (iii) where the share pledge is created and perfected in favor of the Security Agent acting in its capacity as (A) joint and several creditor under “parallel debt” or similar arrangements or (B) agent (“*mandatario con rappresentanza*”) of the holders of the Notes, considering that the holders of the Notes (x) are not expected to be direct parties to the relevant Italian law governed Security Document, (y) may not be specifically identified therein or in the relevant share certificates and corporate documents or public registers and (z) may change over time without any share pledge confirmation and extension deed being entered into from time to time. Therefore, there is a risk that an Italian court may determine that the holders of the Notes are not secured by the security under the Italian law governed share pledge and/or cannot enforce that security.

Poland

The obligations under the Note Guarantees and security interests granted by any Guarantor incorporated in Poland (the “Polish subsidiary guarantor”) and satisfaction of creditors’ claims under the Note Guarantees are subject to limitations resulting from the application of the bankruptcy laws, as set out in the Polish Bankruptcy Act (*Prawo Upadłościowe*) of February 28, 2003 (Journal of Laws of 2020, item 1228, as amended) (the “Polish Bankruptcy Law”) and the restructuring laws, as set out in the Polish Restructuring Act (*Prawo Restrukturyzacyjne*) of May 15, 2015 (Journal of Laws of 2020, item 814, as amended) (the “Polish Restructuring Law”), as well as limitations resulting from provisions regarding protection of share capital as further described under the heading “*Other Issues Concerning the Limitations and Effectiveness of the Note Guarantees*” below.

Insolvency and Insolvency Threat

If a Polish subsidiary guarantor’s “center of main interests” (about which see further the section “*European Union*” above) is in Poland, then pursuant to Polish Bankruptcy Law and EU Insolvency Regulation, bankruptcy proceedings of the Polish subsidiary guarantor should be conducted before a Polish court. Consequently, in the event of the insolvency of such Polish subsidiary guarantor, insolvency proceedings would be governed by Polish law. Similarly, in the event of such Polish subsidiary guarantor’s insolvency or its threat, restructuring proceedings would also be subject to Polish law.

According to the Polish Bankruptcy Law, the Polish subsidiary guarantor will be declared bankrupt if it is insolvent. The Polish subsidiary guarantor as a debtor will be insolvent: (i) if it has lost its ability to fulfill its due pecuniary liabilities (*wymagalne zobowiązania pieniężne*) (cash flow test). The inability to fulfill the due pecuniary liabilities is presumed to arise, if the delay in fulfilling pecuniary obligations exceeds three months), or (ii) its pecuniary liabilities (except for future liabilities and those to shareholders relating to loans and legal acts of similar effect, granted within five years before the declaration of bankruptcy) exceed the total value of its assets (except for assets not constituting the bankruptcy estate) and such situation persists for longer than 24 months (balance sheet test). It is presumed that the pecuniary liabilities of the debtor exceed its assets if, according to the balance sheet, its liabilities (except for reserves for liabilities and liabilities to affiliates) exceed the value of its assets and such situation persists beyond 24 months.

Despite meeting the balance sheet test by the Polish subsidiary guarantor, the Polish Bankruptcy Law allows the court dismissing an application for bankruptcy if there is no threat of losing ability by the Polish subsidiary guarantor to fulfill its due pecuniary liabilities in near future.

Each individual who has the right to represent the Polish subsidiary guarantor (whether individually or jointly) is obliged to file a motion to declare the Polish subsidiary guarantor bankrupt within 30 days from when the grounds for declaration of bankruptcy above are met.

Under the Anti-Crisis Act Regarding COVID-19 (*Ustawa z dnia 2 marca 2020 r. o szczególnych rozwiązaniach związanych z zapobieganiem, przeciwdziałaniem i zwalczaniem COVID-19, innych chorób zakaźnych oraz wywołanych nimi sytuacji kryzysowych*) of March 2, 2020 (Journal of Laws of 2020, item 1842, as amended), debtors whose insolvency occurred between 14 March 2020 and the date on which the state of epidemiological threat or epidemic in Poland was cancelled, are temporarily exempt from the obligation to file a petition for bankruptcy if their insolvency was due to COVID-19 (it is presumed that the insolvency was a result of COVID-19 if it arose during the state of epidemiological threat or epidemic). After cancellation of the state of epidemiological threat or epidemic, the 30-day deadline for filing a petition for bankruptcy shall run anew.

Additionally, the Polish subsidiary guarantor's personal creditors may file for bankruptcy of the Polish subsidiary guarantor.

According to the Polish Restructuring Law, restructuring proceedings may be opened in respect of the Polish subsidiary guarantor as debtor if it is insolvent or will be threatened with insolvency, i.e., if its commercial position shows that it may become insolvent within a short period of time.

If the Polish subsidiary guarantor is insolvent or threatened with insolvency, it may file a restructuring motion. If the Polish subsidiary guarantor is insolvent, a restructuring motion to open remedial proceedings may be filed by the Polish subsidiary guarantor's personal creditors.

If a motion for declaration of bankruptcy and motion for opening restructuring proceedings have both been filed, the court should first decide on the restructuring motion and put on hold the proceedings on the motion for bankruptcy (unless putting them on hold would be against the interests of all creditors). The debtor cannot be declared bankrupt during restructuring proceedings.

Bankruptcy Proceedings

The principal aim of bankruptcy proceedings is the satisfaction of the creditors from the proceeds obtained from the sale of the debtor's assets. In the event of bankruptcy proceedings, the court appoints a bankruptcy receiver (*syndyk*) who takes over the management of the bankrupt's assets. From this moment on, the management of a debtor-bankrupt entity is replaced by the bankruptcy receiver who 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 composition of bankruptcy assets is determined during preparation of the inventory list and creditors' receivables list which are prepared by the bankruptcy receiver. A motion for approval of the terms of sale of the debtor's enterprise or its organized part, or substantial part of its assets, may be appended to the petition to commence bankruptcy proceedings (pre-packaged liquidation).

Upon the bankruptcy declaration all of the debtor's debts become due and payable and non-pecuniary debts are converted to pecuniary and 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 mortgages, and satisfied from the security assets' proceeds.

The bankrupt's claim may be set off against a creditor's claim if both claims existed on the date of declaration of bankruptcy, regardless of whether the claims have not yet become due and payable. A set-off is not admissible if the bankrupt's debtor acquired the claim by assignment or endorsement after bankruptcy was declared or acquired it during the year preceding the date of declaration of bankruptcy, while being aware that there were grounds for declaring bankruptcy. However, this limitation does not apply (i) if the acquirer has become the bankrupt's creditor as a result of repaying the bankrupt's debt, for which it was liable personally or with certain property items, and if the acquirer was not aware of the existence of grounds for declaring bankruptcy at the time of assuming liability for the bankrupt's debt or (ii) if the liability was assumed at least one year before the date on which bankruptcy was declared. The set off is also not admissible if bankrupt's creditor become bankrupt's debtor after the date of declaration of bankruptcy. The sum proposed to be set off on the part of the bankrupt is the total of the bankrupt's claim and on the part of the creditor it is the creditor's principal claim only, along with interests accrued until the date of declaration bankruptcy. If the bankrupt's debt without interest had not become due and payable by the date of declaration of bankruptcy, the sum to be set-off is the amount due reduced by statutory interest (which may not exceed six percent) between the date of declaration of bankruptcy until the date of payment, and may not exceed two years. A creditor wishing to exercise the set-off right must make a statement in this respect not later than when submitting the claim.

Once bankruptcy is declared, the bankrupt entity's assets may not be subject to security, charged with a pledge, registry pledge or treasury pledge, and no entries in land and mortgage register or other registers may be made to establish any security interests, except for the entry of mortgage if the application of such entry had been filed at least six months prior to filing the motion for bankruptcy.

Provisions of an agreement to which the bankrupt company is a party which explicitly stipulate that the agreement is amended or terminated in the case its bankruptcy (or filing for it) are invalid. Also, provisions of an agreement to which the bankrupt company is a party that hinder or prevent the aims of the bankruptcy proceedings from being achieved will be deemed ineffective in relation to the bankruptcy estate. These specific provisions of Polish Bankruptcy Law are deemed to apply also to contracts that are subject to laws other than the laws of Poland, as long as the provisions of such contract would apply to an entity that is subject to bankruptcy proceedings under the Polish Bankruptcy Law.

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. In particular, in the bankruptcy proceedings, unless separate statutory laws provide otherwise, proceedings initiated against the bankrupt before the date of declaration of bankruptcy concerning a claim which was submitted within the bankruptcy proceedings may be continued only if this claim has not been included in the list of claims (see below) once this list was finalised. If proceedings were pending in which the bankrupt entity was the plaintiff, the bankruptcy receiver replaces the bankrupt entity. If enforcement proceedings regarding the claims which may be submitted within the bankruptcy proceedings were pending against the bankrupt entity on the day of bankruptcy declaration, they are suspended with effect from the date of the bankruptcy declaration and proceeds received are transferred to the bankruptcy estate after the decision on the declaration of bankruptcy becomes final. If the arbitration proceedings were not commenced on the date of declaration of bankruptcy, the bankruptcy receiver may with the consent of the judge–commissioner renounce the arbitration clauses if the arbitration proceedings hinder the liquidation of the bankruptcy estate. If the bankruptcy receiver renounces the arbitration clause it expires.

Creditors have a right to submit their claims within the time limit indicated in a decision declaring bankruptcy. Claims supported by evidence of claims are usually admitted, i.e., included in the list of claims. If a claim is not included in the list, then a creditor has a right to appeal.. Under the Polish Bankruptcy Law, any debt payable in a currency other than Polish zloty, if being put on the list of claims, must be converted into Polish zloty according to the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not).

In the bankruptcy proceedings, creditors under the Note Guarantees will be satisfied from the proceeds obtained from the sale of the Polish subsidiary guarantor's assets if their claim under the Note Guarantees is due and payable, otherwise the proceeds of that sale will be deposited in the court deposit in their favor and released once their claim under the Note Guarantees becomes due and payable and not satisfied.

As a rule, Polish subsidiary guarantor's debts are divided into four categories and creditors whose receivables are ranked in a lower category cannot be satisfied before all the debts in the higher category have been fully satisfied. The first category principally includes payments to the state or employees (remuneration, health benefit payments and social security obligations, etc.) or related to the restructuring proceedings (including arising under a credit facility, loan, bonds, guarantees or letters of credit, or other form of financing envisaged in the arrangement concluded in the restructuring proceedings and provided in connection with the arrangement's performance). Most unsecured commercial debts, tax and other public dues are listed in the second category. The third category encompasses interest on debts in the first and second categories (in the order in which the principal is satisfied), court or administrative penalties, donations etc. The fourth category concerns debts to direct and certain indirect shareholders relating to loans and legal acts of similar effect that were granted within five years prior to the declaration of bankruptcy including interest accrued thereon. Within a category, each creditor's receivable is satisfied pro rata to the total value of receivables listed in that category. Before satisfying any claims, the bankruptcy receiver covers the costs of bankruptcy proceedings and the liabilities of the bankruptcy estate.

The Polish Bankruptcy Law does not require a bankruptcy receiver to give effect to intercreditor arrangements such as subordination agreements. Although the law does not preclude creditors from attempting to enforce such rights in separate proceedings based on their entitlements arising from respective contracts, such proceedings are conducted outside of and following bankruptcy proceedings. Therefore, the claims of all unsecured creditors may be paid on a *pari passu* basis in bankruptcy proceedings.

If an asset owned by the bankrupt entity (the Polish subsidiary guarantor) is encumbered with a mortgage, pledge, registry pledge, treasury pledge or a maritime mortgage, then a creditor has a right to be satisfied from that asset before other creditors (with a few exceptions such as, for instance, a certain portion of employee salaries). Where a number of mortgages or pledges have been established on a real estate or the object of the pledge, creditors are repaid from according to their priority. The pledgee under the registered pledge or financial pledge may seize the pledged object if the relevant pledge agreement provides for such method of satisfaction of creditor's claim. However, seizure is not allowed if such object is the part of bankrupt's enterprise and the sale of such object with the rest of the enterprise is more beneficial than its separate sale.

In the course of the bankruptcy proceedings, an arrangement between the debtor and creditors can be voted on and approved by the creditors. In such case after the approval by the court, the provisions of the arrangement determine the manner of satisfaction of creditors' receivables. If the repayment of receivables arising under the Note Guarantees are covered by the arrangement, there is a possibility that such receivables may be decreased on the basis of a decision of the creditors (such decisions would be subject to certain mandatory rules of the Polish Bankruptcy Law).

A creditor who fails to satisfy his claim during bankruptcy proceedings may try to raise this claim directly against persons acting on behalf of the Polish subsidiary guarantor being a limited liability company. Pursuant to the Polish Commercial Companies Code (*Kodeks Spółek Handlowych*) of September 15, 2000 (Journal of Laws of 2020, item 1526, as amended) (the "Polish Commercial Companies Code") if enforcement against a company proves to be ineffective, members of the management board of a limited liability company shall be jointly and severally liable for the company's liabilities. A member of the management board may be discharged from liability referred to above if he proves that the bankruptcy petition was filed in a timely manner or in the appropriate time the decision on the opening of the restructuring proceedings or the approval of the arrangement in the approval arrangement proceedings were issued, or that a failure to file a bankruptcy petition occurred through no fault on his part or that despite the failure to file a bankruptcy petition or to issue the decision on the opening of the restructuring proceedings or the decision on the approval the arrangement in the approval arrangement proceedings, the creditor suffered no additional damage.

Restructuring Proceedings

Restructuring proceedings essentially aim to avoid the debtor's bankruptcy through its debt restructuring under an arrangement with creditors and, in the event of remedial proceedings (*postępowanie sanacyjne*), also through remedial steps, while securing the justified rights of creditors.

Restructuring proceedings may be initiated by a debtor's motion, or, in case of remedial proceedings also on a debtor's personal creditor's motion, if the debtor is insolvent or threatened with insolvency. The court will refuse to open restructuring proceedings, if they are detrimental to creditors, or, in case of arrangement proceedings (*postępowanie układowe*) and remedial proceedings if the debtor's ability to fund the costs of such proceedings and obligations arising after the date of opening of these proceedings cannot be substantiated.

The debtor may request the opening of one of the four following restructuring proceedings: (i) approval arrangement proceedings, (ii) accelerated arrangement proceedings; (iii) arrangement proceedings and (iv) remedial proceedings.

In addition, in relation to COVID-19, on June 24, 2020, a new simplified restructuring proceeding entered into force and will be available until 30 June 2021. There are legislative work carried out to incorporate the simplified restructuring proceeding (with some amendments) to the Polish Restructuring Law.

In the case of approval arrangement proceedings, the debtor solicits votes from creditors on a proposed arrangement without participation of the court. Once creditors have cast a sufficient number of votes, the debtor may apply to the court for approval of the arrangement. This type of proceedings is available when the sum of the disputed claims does not exceed 15% of the total claims.

Accelerated arrangement proceedings are designed to allow a debtor to conclude an arrangement with the creditors following the preparation of a list of creditors' receivables and its approval by a judge-commissioner in simplified proceedings. The procedure may be applied provided that the sum of disputed claims does not exceed 15% of the total claims. At the opening of accelerated arrangement proceedings, the debtor's assets constitute the arrangement estate. The arrangement estate is administered by the debtor, unless the court decides that an administrator should be appointed (e.g. if the debtor fails to perform the instructions of the judge-commissioner or the court supervisor). From the opening of accelerated arrangement proceedings, the debtor or administrator (if appointed) cannot satisfy any creditors' receivable which is covered by the arrangement, by operation of law. The enforcement proceedings concerning the claims to be covered by the arrangement are stayed by the operation of law.

In arrangement proceedings, an arrangement may be concluded following the preparation of the list of creditors' receivables and its approval by a judge-commissioner in ordinary proceedings. This procedure may be used when the sum of the disputed claims exceeds 15% of the total claims. As in accelerated arrangement proceedings, the assets of the debtor form the arrangement estate, which is administered by the debtor or administrator (if appointed). The debtor, or administrator (if appointed) also may not satisfy any debt which is covered by the arrangement, by operation of law. The enforcement proceedings concerning the claims to be covered by the arrangement are also stayed by the operation of law.

Remedial proceedings allow a debtor to conclude an arrangement with creditors and undertake various remedial actions which aim to improve the economic situation of the debtor and restore the debtor's capacity to perform his obligations. At the opening of remedial proceedings, the debtor is deprived of its right to administer its assets (from the opening of proceedings they constitute the remedial estate) and the assets are administered by a court-appointed administrator (unless the court allows the debtor to retain the right to administer the remedial estate). The administrator can undertake a number of restructuring steps, including renouncing a not performed mutual agreement, or challenging the effectiveness of certain acts undertaken by the debtor before filing the motion to open remedial proceedings. Upon opening of the remedial proceedings, the debtor or administrator are legally prohibited from making payments to satisfy claims which are covered by the arrangement. The enforcement proceedings are also stayed by the operation of law.

The claim of the company which is subject to restructuring may be set off against a creditor's claim if both claims existed on the date of opening of restructuring proceedings (other than the approval arrangement proceedings). However, the set-off is not admissible if (i) the creditor became a debtor or the debtor after the opening of the restructuring proceedings or (ii) the debtor of the company subject to restructuring acquired the claim against the company subject to restructuring by assignment or endorsement after opening of the restructuring proceedings and such claim came into existence prior to the opening of the restructuring proceedings. This limitation does not apply (i) if the acquirer has become the creditor of company subject to restructuring as a result of repaying such company's debt, for which it was liable personally or with certain property items, and (ii) if the liability was assumed at least one year before the date of opening of the restructuring proceedings. Similarly, the set off is not permissible if the creditor of the company subject to restructuring become a debtor of such company after the opening of the restructuring proceedings. A creditor wishing to exercise the set-off right must make a statement within 30 days from opening of the restructuring proceedings and if the grounds for set off arose after that date, then within 30 days from arising of the ground for set off.

Once the accelerated arrangement proceedings, arrangement proceedings or remedial proceedings are opened, the entity's assets may not be encumbered with security, charged with a pledge, registry pledge or treasury pledge, and no entries in land and mortgage register or other registers may be made to establish any security interests, except for the entry of mortgage if the application of such entry had been filed at least six months prior to filing the motion for opening of the proceedings.

Additionally, provisions of an agreement to which the debtor is a party which explicitly stipulate that the agreement is amended or terminated in the case of opening restructuring proceedings (or filing for it) (except for approval arrangement proceedings) are invalid. Also, provisions of an agreement to which the debtor is a party that hinder or prevent the aims of the restructuring proceedings from being achieved will be deemed ineffective in relation to the arrangement or remedial estate (as applicable). These specific provisions of the Polish Restructuring Law are deemed to apply also to contracts that are subject to laws other than the laws of Poland, as long as said provisions of such contract would apply to an entity that is subject to restructuring proceedings (other than approval arrangement proceedings) under the Polish Restructuring Law.

If the arrangement proceedings or accelerated arrangement proceedings are opened with respect to the Polish subsidiary guarantor, then certain actions in court proceedings against the Polish subsidiary guarantor will require court supervisor's consent. If enforcement proceedings regarding the receivables which are subject to arrangement were pending against the Polish subsidiary guarantor on the day of opening of such restructuring proceedings, they are suspended with effect from the opening of such proceedings and proceeds received are transferred to the arrangement estate after the issuance of decision on opening of the restructuring proceedings. The creditor secured with a mortgage, pledge, registered pledge, treasury pledge and/or maritime mortgage can conduct the enforcement only with respect to the object of such security interest. The court may also stay enforcement of the claim which is not subject to the arrangement for the period of up to three months if such enforcement concerns the object which is necessary to run Polish subsidiary guarantor's enterprise.

In the case of opening of the remedial proceedings against the Polish subsidiary guarantor, if proceedings were pending in which the Polish subsidiary guarantor was the plaintiff, the administrator replaces the Polish subsidiary guarantor. If enforcement proceedings regarding the receivables were pending against the Polish subsidiary guarantor on the day of opening of the remedial proceeding, they are suspended and proceeds received are transferred to the remedial estate after the issuance of decision on the opening of the remedial proceedings.

If creditors vote in favor of an arrangement, the arrangement is accepted and then approved by the court. The court's decision approving the arrangement may be appealed against. An approved arrangement is binding on (affects) all creditors, whose receivables are covered by the arrangement. Certain receivables are not covered (affected) by the arrangement. These include, among other things: (i) receivables secured with mortgages, pledges, registered pledges, treasury pledges and/or maritime mortgages, however only up to the

value of the collateral (to the extent they can be satisfied from the security assets on which such security was established); a creditor whose claims are so secured may, however, consent to being subject to arrangement, (ii) receivables under derivative or repo transactions, and (iii) receivables under employment contracts.

The arrangement may also concern only certain types of receivables (partial arrangement). In such case, the arrangement is binding on (affects) all creditors who have receivables of such type. In a partial arrangement, there are several exceptions to the general rule that receivables secured by mortgages, pledges, registered pledges, treasury pledges and/or maritime mortgages are not covered by the arrangement, without the consent of the creditor, up to the value of the collateral. The consent of the creditor is not required, if the arrangement's initial proposals envisage full satisfaction of the creditor within the timeframe specified in the arrangement, or if they envisage satisfaction to an extent not less than may be expected from the collateral.

If the receivables arising under the Note Guarantees are covered by the arrangement, there is a possibility that such receivables may be decreased on the basis of a decision of the creditors (such decisions would be subject to certain mandatory rules of the Polish Restructuring Law).

A simplified restructuring proceeding is a hybrid of solutions provided for in other restructuring proceedings. It is for the most part extrajudicial and refers to the approval arrangement proceedings regulated in the Polish Restructuring Law, but with significant modifications. A simplified restructuring proceeding is opened automatically by publishing an announcement in the judicial and commercial gazette *Monitor Sądowy i Gospodarczy*, indicating the debtor's details, the arrangement date, and the arrangement supervisor. Before making an announcement, the debtor prepares and submits to the selected arrangement supervisor arrangement proposals, a list of claims, and a list of disputed claims. As in the approval arrangement proceedings, the debtor, with the help of a restructuring adviser, presents creditors with arrangement proposals, collects their votes and, only at the end, applies to the court for approval of the arrangement, which has already been voted on. A creditors' meeting to vote on the arrangement may be conducted remotely using electronic communications. The application for approval of the arrangement must be submitted to the court no later than four months after the announcement in *Monitor Sądowy i Gospodarczy*. If no application for approval is filed within this period, the proceedings will be discontinued by operation of law.

During the period from the date of making an announcement on opening the simplified restructuring procedure to the date of completion or discontinuance, existing enforcement proceedings are suspended by operation of law and no new proceedings may be instigated against the debtor. In addition, during the period of simplified restructuring, it is prohibited to terminate key agreements concluded with the debtor, including rental, tenancy, leasing or loan agreements, without the arrangement supervisor's permission. There is also a ban, known from the accelerated arrangement procedure, on payment of claims covered by the arrangement by operation of law, as well as restrictions on setoff. Another new feature is the possibility to include in the arrangement a claim secured against the debtor's assets without the secured creditor's consent.

Any creditor may apply to the court for lifting in its entirety of the effects of the announcement of the opening of a simplified restructuring proceeding, including the prohibition of enforcement against the debtor's assets. Creditors will also be entitled to pursue a claim for redress of damages if the debtor made an announcement on the opening of proceedings in bad faith.

Limitations and Effectiveness of the Note Guarantees in Bankruptcy or Restructuring Proceedings

Pursuant to Article 11 sec. 2 of the Polish Bankruptcy Law, a corporate entity is deemed to be insolvent if its pecuniary liabilities (except for future liabilities and those to shareholders relating to loans and legal acts of similar effect, granted within five years before the declaration of bankruptcy) exceed the total value of its assets (except for assets not constituting the bankruptcy estate) and such situation persists for longer than 24 months. Given certain legal controversies regarding the application of this rule, and in order to mitigate the possibility that the Polish subsidiary guarantor could be declared bankrupt under this rule, the liability of any Polish subsidiary guarantor on account of payments under the Note Guarantees shall be limited to the amount equivalent to the Polish subsidiary guarantor's assets (except for assets which do not form part of the estate subject to bankruptcy). This limitation of liability will no longer apply when the Polish subsidiary guarantor becomes insolvent in the meaning of Article 11 of the Polish Bankruptcy Law or upon acceleration of the receivables under the Note Guarantees (in spite of the previous application of that limitation of liability).

Under the Polish Bankruptcy Law, the Note Guarantees may be declared ineffective or deemed to be ineffective in certain situations. In particular, the enforceability of the receivables arising under the Note Guarantees in the insolvency proceedings depends on whether it was granted at least six months before the filing of the motion for bankruptcy of the Polish subsidiary guarantor and, furthermore, whether the secured receivables are due and payable. Pursuant to the Polish Bankruptcy Law, if: (i) the debt secured by the Note Guarantees is not due (*dlug niewymagalny*); and (ii) the Note Guarantees were granted within six months before the filing of the motion for bankruptcy, then it will be deemed ineffective. However, in such case, the

creditor may bring an action or charge in order to seek the recognition of the Note Guarantees as effective if at the time when the same was granted the creditor was unaware of the existence of grounds for declaration of bankruptcy of the grantor.

Furthermore, if the Note Guarantees are granted within six months preceding the date of the filing of the motion for bankruptcy, it will be assessed whether the Note Guarantees in this state of facts was granted by the bankrupt entity to its partners or shareholders, their representatives or spouses of the same, or affiliates, their partners or shareholders, representatives, or spouses of the same as well as with another company, in the event of either being the controlling company. If so, the Note Guarantees will be declared ineffective towards the bankruptcy estate, unless the other party is able to prove that it is not detrimental to other creditors.

The disposals made by the bankrupt in respect of its estate (*czynności prawne, którymi upadły rozporządził swoim majątkiem*) within one year before the filing of the motion for bankruptcy will be deemed ineffective towards the bankruptcy estate if the value of the disposal significantly (*rażąco*) exceeded consideration for the bankrupt, or there was no consideration for the bankrupt. It is not entirely clear under the Polish Bankruptcy Law whether the guarantees are subject to such clawback provisions since it is debatable whether they can be qualified as disposals.

Under the Polish Restructuring Law, the Note Guarantees may also be declared ineffective or deemed ineffective in certain situations.

The disposals made by the debtor in respect of its estate (*czynności prawne, którymi dłużnik rozporządził swoim majątkiem*) within one year before the filing of the motion for remedial proceedings will be deemed ineffective towards the remedial estate if the value of the disposal materially (*istotnie*) exceeded consideration for the debtor or third party, or there was no consideration for the debtor. It is not entirely clear under the Polish Restructuring Law whether the guarantees are subject to such clawback provisions since it is debatable whether they can be qualified as disposals.

Additionally, pursuant to the Polish Restructuring Law, if: (i) the Note Guarantees were granted within one year before the filing of the motion for opening restructuring proceedings; and (ii) the Note Guarantees were not granted directly in connection with consideration received by the Polish subsidiary guarantor, then the Note Guarantees will be ineffective towards the remedial estate.

The Note Guarantees will be ineffective towards the remedial estate in the part in which it exceeds (as at the date of granting the Note Guarantees) the value of the secured claim together with ancillary claims specified in the document establishing the Note Guarantees by more than a half, and provided that the Note Guarantees were granted within a year before the filing of the motion for opening restructuring proceedings.

Fraudulent Conveyance

Under the Polish Civil Code of April 23, 1964 (Journal of Laws of 2019, item 1145, as amended), a creditor (or, if the debtor is declared bankrupt, the bankruptcy receiver) may request that the relevant Polish court declare a given legal act (such as the granting of a guarantee) ineffective towards such creditor, and the court will do so if it finds that granting a guarantee constituted a transaction effected by a debtor to the detriment of its creditors (i.e., where the debtor became insolvent or became insolvent to a greater extent as a result of the transaction) while a third party has gained a benefit, and provided that (i) the debtor consciously acted to the creditors' detriment and (ii) the third party knew or, had it acted with due diligence, could have known that the debtor was acting to the detriment of its other creditors (and the third party's knowledge that the debtor consciously acted to the creditors' detriment is presumed if the entrepreneur who received the benefit as a result of the transaction with the debtor remained in a permanent economic relationship with such debtor) or gave no consideration for the benefit obtained in such transaction.

In addition, if a Polish subsidiary guarantor's entering into a given agreement made it wholly or partially impossible to satisfy a third party's claim, such third party may request that the court declare such an agreement ineffective towards that party, provided the Polish subsidiary guarantor and the other party to the agreement knew of the third party's claim or if the agreement was for no consideration.

The creditor with respect to whom the company's legal transaction was declared ineffective may, with priority over the creditors of the third party, enforce the rights over assets which as a result of such legal transaction, were removed from the company's estate or did not become a part of the estate.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. Generally, however, the Polish subsidiary guarantor would be considered insolvent if it could not pay its debts as they became due. If a court decided that the Note Guarantees provided by the Polish subsidiary

guarantor was a fraudulent conveyance and voided such Note Guarantees or held it unenforceable for any other reason, a holder of the Notes would cease to have any claim in respect of the Polish subsidiary guarantor and would be a creditor solely of the Issuers and remaining Guarantors.

Application of Foreign Law

If any obligation is to be performed in a jurisdiction outside the Republic of Poland, it might not be enforceable in the Republic of Poland, inter alia, to the extent that such performance would be illegal or contrary to public policy under the laws of the other jurisdiction and a Polish court may take into account the law of the place of performance when evaluating the manner of performance and the steps to be taken in the event of defective performance.

No law of any other jurisdiction will apply in the Republic of Poland if its application would have an effect that is contrary to the basic principles of public order in the Republic of Poland (principles of social co-existence).

Other Issues Concerning the Limitations and Effectiveness of the Note Guarantees

The Note Guarantees by the Polish subsidiary guarantor is subject to certain provisions of the Polish Commercial Companies Code.

In accordance with Article 189 § 2 of the Polish Commercial Companies Code, shareholders of a limited liability company (*spółka z ograniczoną odpowiedzialnością*) may not receive, on whatever account, payments out of company's assets which are necessary for the share capital to be fully paid up. A more general Article 189 § 1 prohibits the return of contributions to share capital to such shareholders. In relation to a Polish joint stock company (*spółka akcyjna*) Article 344 § 1 of the Polish Commercial Companies Code stipulates that no payments for shares may be reimbursed to a shareholder, either fully or partially, except as allowed by the law for the duration of the company's existence. In the Polish legal doctrine opinions are expressed that in certain situations, for example when the financial standing of a company entering into a transaction is poor and the shareholder of such a company benefits from a transaction, it may constitute in fact the return of share capital contribution to the shareholder. A breach of these rules results in the shareholders' obligation to return the payments up to the amount of the share capital. Therefore, there is a risk that the Note Guarantees of the Polish subsidiary guarantor in such form will be affected, or could be set aside, to the extent it would result in a reduction of its assets necessary to cover in full its share capital in breach of Article 189 § 2 of the Polish Commercial Companies Code, a return of contribution to share capital prohibited by Article 189 § 1 of the Polish Commercial Companies Code, or a payment prohibited by Article 344 § 1 of the Polish Commercial Companies Code.

Additionally, in respect of the joint stock companies, Article 345 of the Polish Commercial Companies Code stipulates certain conditions for granting financial assistance by a joint stock company for the acquisition of its shares. If these strict conditions are not met, then the financial assistance is unlawful and all the payments are invalid. Moreover, financial assistance is understood broadly as providing by a company, directly or indirectly, any financing for the purposes of the acquisition of shares issued by that company, inter alia by granting of credit, loan, guarantee or security. Therefore, the Note Guarantees will state that it does not apply to any liability of the Polish subsidiary guarantor in the form of a joint stock company to the extent that it would result in the Note Guarantees constituting unlawful financial assistance within the meaning of Article 345 of the Polish Commercial Companies Code.

Maximum Interest Rate

Please note that pursuant to Polish law the enforcement of interests to be paid by the Polish subsidiary guarantor may be limited by the Polish laws setting out maximum interest rate.

The maximum interest rate is: (i) in the case of regular interest, two times the statutory interest rate (i.e. the reference rate announced by the National Bank of Poland plus 3.5 percentage points); and (ii) in the case of default interest, two times the default statutory interest rate (i.e. the reference rate announced by National Bank of Poland plus 5.5 percentage points). As of the date hereof the maximum interest rate resulting from a legal transaction is equal to 7.2% p.a. and the maximum default interest rate (*odsetki maksymalne za opóźnienie*) is equal to 11.2% p.a.

Regulation on the maximum interest rates applies irrespectively of the law governing the agreement. Consequence of breach of the provisions on maximum interest rates is an automatic application of the maximum interests stipulated in law as opposed to the agreed higher rate.

The Netherlands

Insolvency

Three of the Guarantors are 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, subject to certain exceptions provided for in the Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, as amended from time to time. 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, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate the assets of a debtor and distribute the proceeds thereof to its creditors. In practice a suspension of payments often results in the bankruptcy of the debtor. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). A general description of the principles of both insolvency regimes is set out below.

Only the debtor can make an application for a suspension of payments, and only if it foresees that it will be unable to continue to pay its debts as they come due. Once the application for a suspension of payments is filed, a court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint one or more administrators (*bewindvoerders*) and often also a supervisor judge (*rechter-commissaris*). A meeting of creditors is required to decide on the definitive suspension of payments. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for a suspension of payments, a court can order that the composition will be processed before a decision about a definitive suspension of payments. If the composition is accepted and subsequently ratified by a court (*gehomologeerd*), the provisional suspension of payments ends as soon as a court's decision becomes final. The definitive suspension of payment will generally be granted by the court, unless a qualified minority (i.e., more than one-quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one-third of the number of creditors of the amount of claims held by creditors) of the unsecured, non-preferential creditors declare against it or if there is a valid fear that the debtor will try to prejudice the creditors during a suspension of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future. That the debtor must be able to satisfy its creditors does not mean that they must be paid in full. It suffices that creditors can be satisfied to some extent (for example, by receiving a percentage of their claims within the framework of a composition). Other than in the case of the ordering by a competent court of a statutory stay of execution of up to two months (extendable by another period of up to two months) imposed by court order pursuant to Article 241a of the Dutch Bankruptcy Act, a suspension of payments will only affect unsecured, non-preferential creditors. During such stay of execution, a secured creditor may not, without the court's consent (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the debtor subject to a suspension of payments or (ii) seek recourse against the asset.

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. Bankruptcy can be requested by a creditor of a claim when there is at least one other creditor. At least one of the claims (of the creditor requesting bankruptcy or the other creditor) needs to be due and payable. The debtor can also request the application of bankruptcy proceedings itself. Furthermore, the Public Prosecution Service (*het Openbaar Ministerie*) can request the application of bankruptcy proceedings for reasons of public interest (*openbaar belang*). In Dutch bankruptcy proceedings, a debtor's assets are liquidated and the proceeds distributed to the debtor's creditors according to their respective priority of those creditors' claims and, to the extent certain creditors' claims have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors, will benefit from special rights. Secured creditors, such as pledgees and mortgagees, may enforce their rights separately from bankruptcy and do not have to contribute to the general costs of the bankruptcy; however, enforcement of the security interest might be subject to the following: (i) a statutory stay of execution of up to two months (extendable by another period of up to two months) imposed by court order pursuant to Article 63a of the Dutch Bankruptcy Act, which has the same effects as set forth above for stays of execution in suspensions of payment; (ii) a bankruptcy trustee (*curator*) can force a secured party to enforce its security interest within a reasonable time (as determined by the bankruptcy trustee pursuant to Article 58(1) of the Dutch Bankruptcy Act), failing which the bankruptcy trustee will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured party after a deduction of general costs of the bankruptcy; (iii) excess proceeds of enforcement must be returned to the company's bankruptcy trustee and may not be offset against an unsecured claim of the company's secured creditor; and (iv) the bankruptcy trustee may force the secured creditor to hand the proceeds of certain pledged assets

(*bodemzaken*) over to the bankruptcy trustee for the benefit of the Dutch tax authorities pursuant to Article 57 (3) of the Dutch Bankruptcy Act.

In general, under Dutch law, rights of mortgage and pledge rank above other rights of priority, including the general priority right of the Dutch tax authorities on the tax debtor's assets. However, this is subject to exceptions, such as set forth under (iv) above. Under certain circumstances, the Dutch tax authorities' priority right ranks above a non-possessory pledge on machinery and inventory (not including stock (*voorraden*)) found on the premises of the tax debtor (*bodemzaken*). In addition, a pledgee is obligated to notify the Dutch tax authorities of (i) its intention to exercise its rights under a pledge on movable property (not including stock) found on the premises of the tax debtor (*bodemzaken*) within the meaning of the Tax Collection Act (*Invorderingswet* 1990), or (ii) its intention to perform, to procure in any way the performance of, or cooperate with any legal of factual act with respect to such property which could prejudice the Dutch tax authorities' priority right to such property. Following such notification, a statutory waiting period of up to four weeks starting from the date of notification has to be observed. In the four weeks following such notification, the pledgee may not exercise its security rights in respect of such assets or perform any action with respect to such assets which could prejudice the Dutch tax authorities' priority right. During this waiting period, the Dutch tax authorities may exercise their priority right in respect of specific property for certain tax debts (*bodemvoorrecht*). Failure to notify the Dutch tax authorities, or the exercise of its security rights within the aforementioned waiting period in the manner contemplated in subclause (i) or (ii) above, may result in the pledgee having to pay to the Dutch tax authorities an amount equal to the value of the relevant assets or—in the case of an enforcement—the proceeds derived from the enforcement, provided that the amount payable shall not exceed the amount of the relevant taxes due, regardless of whether such taxes have already assessed or not. After the four-week waiting period has lapsed, or upon an earlier notification by the Dutch tax authorities that they will not exercise their priority right, a pledgee may exercise its security rights. However, the pledgee may only exercise such security rights during the four weeks following the lapse of the waiting period, or the date of the notification from the Dutch tax authorities, as the case may be. After the four-week period has ended, the aforementioned limitations are applicable again and the pledgee will only be able to exercise its security rights with respect to such property, after a new notification to the Dutch tax authorities and observance of a new waiting period.

Simultaneously with the opening of the bankruptcy, a Dutch bankruptcy trustee (*curator*) and a supervisory judge are appointed. The bankruptcy trustee is charged with the administration and liquidation of the bankruptcy estate and acts under the supervision of the supervisory judge.

Consequently, Dutch bankruptcy laws could reduce the potential recovery in Dutch bankruptcy proceedings. Both a suspension of payments and bankruptcy have retroactive effect from midnight of the day on which the suspension of payments or the bankruptcy of the relevant Dutch company is declared.

A suspension of payment and bankruptcy proceedings against Dutch debtors would allow secured creditors and preferential creditors (including tax and social security authorities) to satisfy their claims by proceeding against the assets (that secure their claims) as if there were no bankruptcy or suspension of payments. However, a statutory stay of execution as described above may be ordered by the competent court both in a suspension of payments and bankruptcy. Furthermore, certain preferred creditors have a preference by virtue of law. Unlike secured creditors, preferred creditors are not entitled to enforce on assets of the bankrupt. They do have priority in the distribution of the proceeds of the bankrupt's assets. Restrictions on the enforcement of security interests may apply. For instance, higher-ranking rights must be respected. These may include secured creditors and tax and social security authorities. A statutory stay of execution of security rights and other rights, as described above, may be imposed. Furthermore, a bankruptcy trustee can force a secured creditor to enforce its security right within a reasonable period of time, failing which the bankruptcy trustee will be entitled to sell the secured assets, if any, and the secured creditor will have a preferred claim in respect of the proceeds, meaning that the secured creditor will have to share in the bankruptcy costs, which may be significant. Excess proceeds of any enforcement must be returned to the bankrupt estate; they may not be set off against an unsecured claim of the secured creditor. Such set-off may be allowed prior to the bankruptcy, although at that time it may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for the set-off.

Any pending executions of judgments against the debtor will be suspended by the operation of law when a suspension of payments is granted and terminate by the operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is automatically stayed.

Also in a definitive suspension 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 (*gewone meerderheid*) of the number of creditors represented at the creditors' meeting of the recognized and of the admitted creditors representing at least 50% of the amount of the recognized and of the (conditionally) admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by a court. Under certain conditions, a court or 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 of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes in a Dutch suspension of payments proceeding or bankruptcy. Interest payments that fall due after the date on which a suspension 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 bankruptcy trustee, 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 suspension 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 suspension 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 bankruptcy trustee 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.

On 6 October 2020 the Dutch legislator has adopted a bill for the Act on Court Confirmation of Extrajudicial Restructuring Plans (*Wet homologatie onderhands akkoord*), with the aim to implement an out-of-court restructuring instrument enabling companies in financial distress to restructure their debts without the need to initiate formal insolvency procedures (such as bankruptcy or suspension of payment). The bill has entered into force on 1 January 2021.

The goal of the new legislation is to introduce a preventive restructuring procedure enabling debtors in financial difficulties to restructure at an early stage and avoid insolvency. A restructuring plan under the new legislation can be proposed by a debtor who foresees that it will not be able to continue paying its due and payable debts (the debts as they fall due). Under such circumstances, the debtor or a court appointed restructuring specialist may offer a restructuring plan to the debtor's creditors and shareholders. A restructuring plan could propose an amendment or discharge of the rights and claims of all creditors and shareholders involved. Once approved and confirmed by the relevant percentage of creditors and the court, the restructuring plan will be binding on all creditors and shareholders involved in the restructuring plan. Subject to certain safeguards, creditors and shareholders who have voted against the restructuring plan could be (cross-) crammed down and thus also be bound by the restructuring plan. Taking into account the provisions in the act, claims against the relevant Guarantor can, *inter alia*, be (partially) discharged or extended as a result of a restructuring plan if the relevant majority of creditors within a class or a more senior class vote in favour of such a plan and the court subsequently approves the plan to avoid the relevant Guarantor's insolvency.

Under the Temporary Act COVID 19 Ministry of Social Affairs and Ministry of Justice (*Tijdelijke wet COVID-19 SZW en JV*) a debtor is (amongst others) entitled to request the court for suspension of enforcement measures and/or any court decisions concerning bankruptcy petitions. The court may grant such request of the debtor under certain specific circumstances, such as either (i) a suspension is necessary for continuation of the company's activities, or (ii) it is summarily evidenced that the current financial situation is mainly (or entirely) caused by the measures imposed as from 16 March 2020 in response to the COVID-19 outbreak, as a result of which the company is temporarily unable to pay its debts, and it is evidenced that the financial situation of the company before the COVID-19 outbreak was normal and is expected to improve in the (near) future. If approved, such suspension would be initially granted for two months and could be extended by up to two additional suspension periods of two months each.

The temporary act entered into force on 17 December 2020 and was originally scheduled to expire on 1 February 2021. The expiration date has since then been extended by Royal Decree to 1 April 2021 and can be further extended indefinitely for periods of two months each.

Limitations on Validity and Enforceability of the Note 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 bankruptcy trustee 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 trustee) 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.

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 (*niet toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*) and other defenses afforded by Netherlands law to obligors generally. Other general defenses include claims that a guarantee or security interest should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwalen*); 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. Other impeding factors include rights of suspension (*opschorting*), a dissolution of a contract (*ontbinding*) and set-off (*verrekening*). The enforceability of the obligations of a Dutch Guarantor may also be limited under the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions and in proceedings in a Dutch court for the enforcement of a Dutch law security interest, the court may mitigate amounts due in respect of litigation, enforcement and collection costs.

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.

Pursuant to Dutch law it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of the Dutch subsidiaries use a parallel debt structure, whereby the Dutch subsidiaries, as separate and independent obligations, undertake to pay to the Security Agent on behalf of the holders of the Notes offered hereby amounts equal to the amounts due by it to the other creditors. Such parallel debt structure therefore creates a separate and independent claim of the Security Agent on behalf of the holders of the Notes offered hereby which can be secured by a security interest. Consequently, the security interests are granted to the Security Agent on behalf of the holders of the Notes offered hereby in its own capacity as creditor acting in its own name pursuant to the parallel debt, and not as a representative (*vertegenwoordiger*) of the creditors. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agent on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa). However, such a parallel debt structure has never been tested before a Dutch court and we cannot assure that it will mitigate or eliminate the risk of unenforceability posed by Dutch law.

Under Dutch law, receipt of any payment made by the any Dutch Guarantor under a guarantee or security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee or security interest. The validity and enforceability of a guarantee of, or a security interest granted by or in, any Dutch Guarantors may also be successfully contested by the any Dutch Guarantors (or their bankruptcy trustee) on the basis of an *ultra vires* claim. The validity and enforceability of the obligations of our Dutch subsidiaries under a guarantee or security interest may also be successfully contested by any creditor, or by the subsidiaries' respective bankruptcy trustee when the subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for voidable preference under the Netherlands Civil Code and Netherlands Bankruptcy Act are met. As a result, the value of the guarantee and security interests provided by the Dutch Guarantors may be limited.

Pursuant to Article 2:7 of the Netherlands Civil Code (*Burgerlijk Wetboek*), any transaction entered into by a legal entity may be nullified by the legal entity itself or its bankruptcy trustee (*curator*) if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The Netherlands Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity's articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the transaction is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit; and whether the subsistence of the company is jeopardized by the transaction.

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

If a court were to find that the issuance of the Notes or a Guarantee, or the granting of the security, was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under such Guarantee or Security Document are ineffective, could void the security over the collateral, or could require the holders of the Notes to repay any amounts received with respect to the Notes or such Guarantee or any enforcement proceeds received from enforcement of the security. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor or security provider and would be a creditor solely of the Issuer, any other Guarantor or security provider, if applicable, under any Note Guarantees or Security Documents that have not been declared void.

France

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

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In particular, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*nantissement de compte de titres financiers*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by each security provider in favor of the Security Agent. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of each French company whose shares are pledged. In France, no lien searches are available for security interests which are not publicly registered (such as pledges over securities account), with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

Limitation on Enforcement of Security Interests

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, generally speaking, pledges over assets may be enforced at the option of the secured creditors either (i) before a court (a) 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 (b) by way of the judicial foreclosure (*attribution judiciaire*) of the pledged assets; or (ii) by way of contractual foreclosure (*pacte comissoire*) of the pledged assets to the secured creditors, following which the secured creditors become the legal owner of the pledged assets.

If the secured creditors choose enforcement by way of foreclosure (whether judicial foreclosure or contractual foreclosure), the secured liabilities will be deemed extinguished up to the value of the attributed assets. Such value is determined either by the judge in the context of a judicial foreclosure (*attribution judiciaire*) or by an expert (pre-contractually agreed or appointed by a judge) in the context of a contractual foreclosure (*pacte comissoire*).

In case of enforcement by way of foreclosure (whether judicial foreclosure or contractual foreclosure), if the value of the pledged assets exceeds the amount of the secured liabilities, the secured creditors will be required to pay the relevant pledgor a cash amount ("*soulte*") equal to the difference between the value of the pledged assets as so determined and the amount of the secured liabilities. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent sale of the Collateral. On the contrary, if the value of such pledged assets is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such pledged assets, and the remaining amount owed to such creditors will be unsecured.

An enforcement of the pledged securities could also be undertaken through a public auction in accordance with applicable law. Since such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such auction might not reflect the value of our group as a going concern.

Security Agent

A security agent may be appointed as « *agent des sûretés* » pursuant to articles 2488-6 to 2488-12 of the French Civil Code which will be acting in its own name (*en son nom propre*) for the benefit of the secured creditors (*au profit des créanciers de l'obligation garantie*) in relation to the security interests and personal guarantees created. The security agent will hold such rights separately from its own estate. As a result, the rights of secured creditors under security interests and personal guarantees will be ring fenced if the security agent is the subject of insolvency proceedings (except in cases of fraud or in cases of the exercise of a right of pursuit (*droit de suite*) of a creditor). The security agent will remain liable for gross negligence or willful misconduct in the performance of its duties. The security agent can take all legal actions to protect the secured creditor's interests and file a receivable on behalf of one or several creditors in a debtor's insolvency proceeding. The security agent must be appointed pursuant to a written agreement specifying its quality, its duties, the duration of its duties and its powers.

Parallel Debt

Under French 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 the creditors by third parties who do not hold the secured claim, unless they act as trustees (*fiduciaires*) under Article 2011 of the French Civil Code or as security agent (*agent des sûretés*) under Article 2488-6 of the French Civil Code, (which will be the case here for the Security Documents governed by French law). The holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the holders of the Notes to benefit indirectly 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 holders of the Notes under or in connection with the Senior Secured Notes (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 such Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Senior Secured Notes and the Intercreditor Agreement. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral). Although the French supreme court (*Cour de cassation*) has held (in a decision dated September 13, 2011 (Cass. Com. 13 September 2011 n° 10-25.533 *Belvédère*) rendered in the context of safeguard proceedings opened in France) that, subject to certain conditions being met, the concept of "parallel debt" governed by the laws of the State of New York was not incompatible with the French law concept of international public policy (*ordre public international*), this decision cannot be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt obligation and no assurance can be given that such a structure will be effective in all cases before French courts. There is no certainty that the Parallel Debt construction will eliminate or mitigate the risk of unenforceability under French 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.

Further, under a parallel debt structure, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

Trustee

Pledges governed by French law will be granted to the benefit of the Trustee as trustee for the holders of the Notes in accordance with the provisions of the Senior Secured Notes Indenture and the Senior Notes Indenture, and may therefore not directly be granted to holders of the Notes. A concept of “trust” has been recognized for tax purposes by Article 792-0 *bis* of the French Tax Code (although the scope of and definitions in Article 792-0 *bis* of the French Tax Code are tax-specific and do not reconcile entirely with the common law vision of trusts) and the French supreme court (*Cour de cassation*) has held, in the *Belvédère* decision referred to above in respect of the parallel debt concept, that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the La Haye Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of “trust” has not been generally recognized under French law. To the extent that the security interests in the Collateral created to the benefit of the Trustee are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Trustee.

Recognition of Validity of Second or Lower Ranking Financial Securities Account Pledges by French courts

The Intercreditor Agreement provides for a mechanism allowing the implementation of second or lower ranking pledges 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 as pledges over securities accounts (*nantissements de comptes 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 convenus*” (*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. To our knowledge, French courts have never expressly recognized the concept of second (or lower) ranking pledge in respect of a financial securities account and, if article 2340 of the French Civil Code does recognise the possibility to create multiple pledges in respect of the same tangible asset, this article is not expressly stated to apply to pledges over financial securities account, and consequently, no assurances can be given that such second or lower ranking pledges would be upheld if tested. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Notes or Guarantees (as applicable) following an enforcement event.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside insolvency proceedings, the “*action paulienne*” provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which such person guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such person’s or a third party’s obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors’ representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l’exécution du plan*) insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person’s insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of such person’s creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in

which case such knowledge of the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuers or the Guarantors as a result of the fraudulent conveyance.

Assumptions as to the Validity of the Intercreditor Agreement

There is no law or published decision of the French courts of appeal or of the French supreme court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for article L.626-30-2 of the French Commercial Code which states that, in the context of safeguard proceedings, the safeguard plan which is put to the committees of creditors takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the opening of the safeguard proceedings. As a consequence, except to the extent referred to above (which, as at the date of this offering memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

Luxembourg

Insolvency

The insolvency laws of Luxembourg may not be as favorable to holders of Senior Notes as insolvency laws of other jurisdictions with which investors may be familiar. If the LuxCo is incorporated and has its centre of main interests (*centre des intérêts principaux*), for the purposes of the Recast EU Insolvency Regulation, and its registered office and central administration (*administration centrale*) in Luxembourg, insolvency proceedings affecting the LuxCo 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 insolvency proceedings (together referred to as "Insolvency Proceedings") may be opened against the LuxCo to the extent that the LuxCo has its central administration (*administration centrale*) or its centre of main interests (*centre des intérêts principaux*) (for the purposes of the Recast EU Insolvency Regulation) in Luxembourg:

- bankruptcy proceedings (*faillite*);
- controlled management proceedings (*gestion contrôlée*); and
- preventive composition proceedings (*concordat préventif de la faillite*).

In addition to these Insolvency Proceedings, the ability of the holders of the Senior Notes to recover payment on the Senior Notes may be affected by a decision of the Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) granting suspension of payments (*sursis de paiements*) or putting the LuxCo into judicial liquidation (*liquidation judiciaire*).

Bankruptcy proceedings (faillite)

General administration of bankruptcy proceedings

The opening of bankruptcy proceedings may be requested by any of its creditors. Following such a request, the Commercial District Court having jurisdiction may open bankruptcy proceedings in the event that the LuxCo (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 LuxCo or a creditor. Moreover, the management body of the LuxCo must declare bankruptcy if it comes to the conclusion that the two aforementioned conditions are met.

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 LuxCo in place of the managers. The bankruptcy receiver will realize the LuxCo's assets and distribute the proceeds to the LuxCo'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 LuxCo 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 LuxCo 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 LuxCo, except, subject to certain limited exceptions, for secured creditors, and the payment of unsecured creditors of the LuxCo in accordance with their rank upon the realization of the assets of the LuxCo.

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*) for the other party. 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.

Unsecured claims of the LuxCo will, in the event of a bankruptcy of the LuxCo, only rank after (i) the cost of bankruptcy (including any debt incurred for the purpose of such bankruptcy) and (ii) the debts of the LuxCo that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, *inter alia*:

- 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.
- For the avoidance of doubt, the above list is not exhaustive.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors of the LuxCo (except after enforcement and to the extent a surplus is realised and subject to application of the relevant priority rules, liens and privileges arising mandatorily by law). During insolvency proceedings, all enforcement measures by unsecured creditors of the LuxCo are suspended.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the LuxCo during the pre-bankruptcy hardening period (*période suspecte*) which is fixed by the Luxembourg court and dates back not more than six months as from the date on which the Luxembourg court formally adjudicates a company bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period. 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 act of 5 August 2005 on financial collateral arrangements, as amended (the

Collateral Act 2005), 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.

Controlled management proceedings (*gestion contrôlée*)

General administration of controlled management proceedings

The LuxCo, which has lost its commercial creditworthiness (*ébranlement de crédit*) or which is not in a position to completely fulfil 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 LuxCo.

The loss of commercial creditworthiness (*ébranlement de crédit*) is identical to the credit test applied in bankruptcy proceedings. As to the second criterium (that is, the case where a company is not in a position to completely fulfil its obligations), a broad view of the total situation of the LuxCo is taken. Controlled management proceedings are only available for a 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:

The LuxCo must file an application with the Commercial District Court. The Commercial District Court can reject the application because (i) the LuxCo has already been declared bankrupt or (ii) the evidence brought forward by the LuxCo does not ensure the stabilization and the normal exercise of the LuxCo's business or improve the realization of the LuxCo'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 LuxCo.

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 LuxCo. If the Commercial District Court ascertains that the LuxCo is unable to pay its creditors (i.e. the LuxCo has ceased its payments (*cessation de paiements*)), it may set the date as from which the LuxCo 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 LuxCo. They are also in charge of the annual accounts of the LuxCo. 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 managers. They may attend all board meetings but have no voting rights. They have the right to convene such board meetings.

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 LuxCo'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 a 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 LuxCo may not enter into any act of disposition, mortgage and contract or accept any movable asset without the authorization of the investigating judge.

Once the administrators have been appointed, the LuxCo 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 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

The LuxCo may enter into a 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 preventive composition proceedings can only be made by the LuxCo and must be supported by proposals of preventive 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 LuxCo. 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 preventive 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 preventive composition may only be adopted if a majority of the creditors representing, by their unchallenged claims, three-quarters of the LuxCo's debt, has adhered to the proposal and if the preventive 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 preventive 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 preventive composition arrangement sanctioned by the Commercial District Court, the preventive 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 LuxCo. 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 a preventive composition proceedings

The LuxCo's business activities continue during the preventive composition proceedings. While the preventive composition is being negotiated, the LuxCo may not dispose of, or grant any security over, any assets without the approval of the delegated judge. Once the preventive composition has been agreed by the Commercial District Court, this restriction is lifted. However, the LuxCo's business activities will still be supervised by the delegated judge.

While the preventive 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 preventive composition proceedings may take action against the LuxCo 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 (*privilege*), 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 LuxCo or the LuxCo'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 Collateral Act 2005. The LuxCo 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 LuxCo.

When a suspension of payments ends, the stay on enforcement is terminated and the LuxCo's managers 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 of 10 August 1915 on commercial companies, as amended (the **Companies Law 1915**).

The management of such judicial liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

Exceptional measures taken by the Grand Duchy of Luxembourg in response to the COVID-19 virus pandemic

It should be noted that the Grand Duchy of Luxembourg has exceptionally taken, in response to the COVID-19 pandemic, certain measures including a suspension of certain procedural deadlines applicable in civil and commercial matters. This suspension of delays applies to the one month procedural time-limit for the insolvency filing obligation provided by article 440 of the Luxembourg commercial code. In principle, such a suspension of delays should (i) not prevent directors / managers of a Luxembourg company from filing for bankruptcy (if the conditions thereof are met) and (ii) not restrict the rights of creditors to petition for bankruptcy of a Luxembourg company. Based on the current legislation, suspension of delays to file for bankruptcy within one month should remain in place until 30 June 2021.

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

Granting of security interests

When a Luxembourg company grants security interests, the granting of the envisaged security interests must notably comply with the company's corporate object. The proposed action by the company must be "in the corporate interest of the company," which is a translation of the French "*intérêt social*," a somewhat equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being reasonable or "the limit of acceptable corporate behavior."

The concept of corporate benefit requires a subjective judgment and is of particular importance in the context of misuse of corporate assets provided by Article 1500-11 of the Companies Law 1915. The failure to comply with the corporate benefit requirement will typically result in liability (civil and/or criminal) for the directors or managers of the security provider concerned. The security interests granted by a Luxembourg company could themselves be held void or unenforceable if their granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Company Law 1915, a director or a manager of a company will in general be prosecuted for misuse of corporate assets if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, e.g., a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him / her. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 1500-11 of the Companies Law 1915 will be held null and void.

The criteria mentioned above have to be applied on a case-by-case basis, and a subjective, fact-based judgment is required to be made, by the directors or managers of the Luxembourg company.

Creation, perfection and 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 security interests (such as a pledge) are situated) in relation to the creation, perfection and enforcement of security interests over such assets.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of pledges over assets located or deemed to be located in Luxembourg, such as shares in 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 Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over financial collateral located in Luxembourg. Under the Collateral Act 2005, the perfection of pledges depends on certain registration, notification and acceptance requirements. A share pledge over registered shares in a Luxembourg company must be (i) acknowledged and accepted by the company which has issued the shares (subject to the pledge) and/or (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. A pledge under a receivables pledge agreement will be validly created and perfected provided that the pledge under such receivables pledge agreement is executed by the parties thereto. However, if the debtor has not been notified of such receivables pledge or if it did not otherwise acquire knowledge of the

pledge, it will be validly discharged of its obligations 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, additional notification to, acceptance and waiver by the account bank will be required. Article 11 of the Collateral Act 2005 sets out enforcement remedies available upon the occurrence of an enforcement event, including, but not limited to:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at a value determined in accordance with a valuation method agreed upon by the parties;
- sell or cause the sale of the pledged assets (i) in a private transaction at normal commercial terms (conditions commerciales normales), (ii) by a public sale at the stock exchange (in case of 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 Collateral Act 2005 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 pledges might be substantially delayed.

The perfection of the pledges 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).

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 security interests. Generally, according to paragraph 2(4) of the Collateral Act 2005, a financial collateral may be granted in favor of a person acting on behalf of the collateral takers, 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-à-vis third-party beneficiaries of such financial collateral, persons acting on behalf of the third-party beneficiaries of a financial collateral, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of a financial collateral under the Collateral Act 2005.

The Collateral Act 2005 expressly provides that financial collateral arrangements (including pledges and transfer of title by way of security) 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 reorganisation affecting any one of the parties.

Recognition of foreign law governed security interests

Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable or recognized in respect of assets located or deemed to be located in Luxembourg. 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 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.

Article 24 of the Collateral Act 2005 applies to (i) Luxembourg law financial collateral arrangements and (ii) any "similar" foreign law collateral arrangement, to the extent that it covers assets (*avoirs*) within the meaning of the Collateral Act 2005, i.e. (i) financial instruments and (ii) claims (together, the Collateral Act 2005 Assets), to the exclusion of any other rights or assets.

To determine if a foreign law governed collateral arrangement could be considered (for the purposes of article 24 of the Collateral Act 2005) as a "similar" collateral arrangement (i.e. similar to a Luxembourg law governed collateral arrangement governed by the Collateral Act 2005), a Luxembourg court (if having

jurisdiction) might, presumably, analyze elements, such as, the main features and effects of such foreign law governed collateral arrangement taking into account, notably, the scope and type of security (e.g., fixed charge, floating charge), the nature of the security assets (i.e. whether or not they consist in Collateral Act 2005 Assets), the type of rights created in favor of a creditor (e.g., personal guarantee or right *in rem*) and whether a similar type of security interest may exist under Luxembourg law. Should a Luxembourg judge come to the conclusion that a foreign law governed collateral constitutes a “similar” collateral arrangement (within the meaning of article 24 of the Collateral Act 2005), such foreign law governed collateral arrangement would benefit from the above-mentioned protection under article 24 of the Collateral Act 2005 insofar Collateral Act 2005 Assets are concerned.

In a European cross-border insolvency context, paragraph 1 of article 8 of the European Insolvency Regulation, pursuant to which the opening of insolvency proceedings shall not affect the rights *in rem* of creditors or third parties in respect of tangible or intangible, moveable or immoveable assets - both specific assets and collections of indefinite assets as a whole which change from time to time - belonging to the debtor which are situated within the territory of another Member State at the time of the opening of insolvency proceedings, should be binding upon Luxembourg insolvency courts.

Subject to certain exceptions (provided for in the Recast EU Insolvency Regulation), in the scenario where (i) main insolvency proceedings (within the meaning of the Recast EU Insolvency Regulation) would be opened against the LuxCo in Luxembourg and (ii) the assets over which security is granted under and pursuant to the foreign security agreements would be located or deemed to be located within the territory of a Member State (as defined in the Recast EU Insolvency Regulation) other than Luxembourg, the opening of such main proceedings against the LuxCo in Luxembourg should not affect the rights *in rem* of the creditors in respect of assets of the LuxCo over which security is granted under and pursuant to the foreign security agreements, in accordance with the above-mentioned paragraph 1 of article 8 of the Recast EU Insolvency Regulation.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes (or any interest therein) by (i) “employee benefit plans” that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (ii) “plans” (including individual retirement accounts) as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (“Code”), (iii) entities whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, and (iv) 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) that, while not subject to Title I of ERISA, Section 406 of ERISA or Section 4975 of the Code, may be subject to other federal, state, local or non-U.S. laws or regulations that are substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) (each of (i)-(iv), a “Plan”). This summary is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes (or any interest therein) on behalf of, or with the assets of, any Plan, consult with their own counsel to determine whether such acquisition will violate Title I of ERISA, Section 406 of ERISA, Section 4975 of the Code or any Similar Law.

General Fiduciary Considerations

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “ERISA Plan”) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation, direct or indirect, to an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

When considering an investment in the Notes with the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code and any Similar Law relating to the fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any Similar Law.

Prohibited Transaction Considerations

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest”, within the meaning of Section 3(14) of ERISA, or “disqualified persons”, within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption or exception is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The acquisition or holding of the Notes (or any interest therein) by an ERISA Plan with respect to which the applicable Issuer or any of their respective affiliates are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory or administrative exemption or exception. In this regard, the U.S. Department of Labor (the “DOL”) has issued prohibited transaction class exemptions (“PTCEs”) that may apply to the acquisition and holding of the Notes. These exemptions include, without limitation, PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by an “independent qualified professional asset manager”), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house asset manager) and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code could provide relief from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan; *provided that* neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that any of the PTCEs or any other exemption or exception will be available with respect to any particular transaction involving the Notes, or that, if any of the PTCEs or another exemption or exception is available, it will cover all aspects of any particular transaction. Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exemptions.

Because of the foregoing, the Notes (and interests therein) should not be acquired, held or disposed of by any Plan or any person acting on behalf of any Plan, unless such acquisition, holding and disposition would not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law.

Plan Asset Considerations

Regulations promulgated under ERISA by the DOL at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (together, the "Plan Asset Regulations"), provide that when an ERISA Plan acquires an "equity interest" in an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not "significant" or that the entity is an "operating company", in each case as defined in the Plan Asset Regulations. For purposes of the Plan Asset Regulations, equity participation in an entity by benefit plan investors will not be significant if benefit plan investors hold, in the aggregate, less than 25% of the total value of each class of equity interests of such entity, excluding equity interests held by any person (other than a "benefit plan investor") who has discretionary authority or control with respect to the assets of the entity or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any "affiliates" (as defined in the Plan Asset Regulations) of such person. For purposes of this 25% test, "benefit plan investors" include ERISA Plans and any entity whose underlying assets include, or are deemed for purposes of ERISA or Section 4975 of the Code to include, "plan assets" by reason of an ERISA Plan's investment in the entity under the Plan Asset Regulations, but exclude governmental, church and non-U.S. plans.

While the discussion under "*Certain Tax Consequences—Certain United States Federal Income Tax Considerations*" assumes the Notes will be treated as debt for U.S. federal income tax purposes, such characterisation is not entirely clear, and no assurances can be given that the IRS would not assert, or that a court would not uphold, a different characterisation of the Notes. In addition, it is anticipated that (i) the Notes will not constitute "publicly offered securities" for purposes of the Plan Asset Regulations and (ii) none of the Issuers will be an investment company registered under the Investment Company Act.

If the applicable Issuer's assets were deemed to be "plan assets" of an ERISA Plan holding the Notes, this would result in, among other things, (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the applicable Issuer, and (ii) the possibility that certain transactions that the applicable Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the Code and might have to be rescinded.

Because of the foregoing, the Notes (and interests therein) may not be purchased by, transferred to or otherwise held by any Plan or any person acting on behalf of any Plan, except in the event that such Plan or person has obtained the written approval of the applicable Issuer to subscribe for and purchase the Notes in the offering directly from the Initial Purchasers. In no case, however, shall benefit plan investors be authorized by the applicable Issuer to subscribe for and purchase, in the aggregate, 25% or more of the total value of any class of equity interests of the applicable Issuer. Any Plan that acquires the Notes (or interests therein) in accordance with the immediately preceding sentence, and any successor to any such Plan, shall be referred to herein as an "Approved Plan". In the event that a Plan or any person acting on any Plan's behalf purchases, acquires or holds the Notes (or any interest therein) without meeting these requirements, the purported purchase, transfer or holding will be void and, if such purchase or transfer is not treated as being void for any reason, the Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Notes.

Representations

Accordingly, each purchaser and transferee is deemed to represent, warrant and covenant (and will be required to represent, warrant and covenant in writing, in the case of an Approved Plan), for so long as it holds such Note (or any interest therein), that (a) either (1) it is not a Plan and is not acting on behalf of any Plan or (2)(i) it is an Approved Plan and (ii) its acquisition, holding and disposition of the Note (or any interest therein) will not (A) constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (B) constitute or result in a violation of any Similar Law, and (b) it will not transfer the Note (or interest therein) to any transferee that is a Plan or any person acting on behalf of any Plan.

Each purchaser and transferee that is an Approved Plan will be required to further represent, warrant and covenant in writing that (i) none of the Issuers, the Guarantors, the Initial Purchasers, the Trustee or any other party to the transactions referred to in this offering memorandum, or other persons that provide marketing services, or any of their respective affiliates, has provided any investment recommendation or

investment advice on which the Approved Plan, or any fiduciary or other person investing the assets of the Approved Plan ("Plan Fiduciary"), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Approved Plan or the Plan Fiduciary in connection with the Approved Plan's acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

Any purported purchase, transfer, holding or disposition in violation of these representations will be void. If such purchase, transfer, holding or disposition is not treated as being void for any reason, the Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Notes.

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 have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdictions, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the Notes under the 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 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 under the Securities Act.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuers and the Initial Purchaser as follows:

- (1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) You are not our “affiliate” (as defined in Rule 144A under the Securities Act) or acting on our behalf and you are either:
 - (a) a QIB, within the meaning of Rule 144A under the Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or
 - (b) you are a non-U.S. person and are purchasing the Notes in an offshore transaction in accordance with Regulation S under the Securities Act.
- (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 the Issuers, and not the Initial Purchasers, have ultimate authority over the statements contained in this offering memorandum, including the content of those statements and whether and how to communicate them. 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 Securities Act or the securities laws of any other jurisdiction, 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 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, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of 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 Issuers' 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.
- (6) You are deemed to represent, warrant and covenant (and will be required to represent, warrant and covenant in writing, in the case of an Approved Plan), for so long as you hold the Note (or any interest therein), that (a) either (1) you are not a Plan and are not acting on behalf of any Plan or (2)(i) you are an Approved Plan and (ii) your acquisition, holding and disposition of the Note (or any interest therein) will not (A) constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (B) constitute or result in a violation of any Similar Law, and (b) you will not transfer the Note (or interest therein) to any transferee that is a Plan or any person acting on behalf of any Plan.
- (7) If you are an Approved Plan, you will be required to further represent, warrant and covenant in writing that (i) none of the Issuers, the Guarantors, the Initial Purchasers, the Trustee or any other party to the transactions referred to in this offering memorandum, or other persons that provide marketing services, or any of their respective affiliates, has provided any investment recommendation or investment advice on which you, or any Plan Fiduciary, has relied as a primary basis in connection with your or its decision to invest in the Notes, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to you or the Plan Fiduciary in connection with your acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

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 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 LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), OR 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 IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (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.

BY ITS ACQUISITION OF THIS SECURITY (OR ANY INTEREST HEREIN), THE HOLDER HEREOF WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED (AND WILL BE REQUIRED TO REPRESENT, WARRANT AND COVENANT IN WRITING, IN THE CASE OF AN APPROVED PLAN (AS DEFINED BELOW)) FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) THAT (A) EITHER (1) IT IS NOT AND IS NOT ACTING ON BEHALF OF (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" (INCLUDING INDIVIDUAL RETIREMENT ACCOUNTS) AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL PLAN AS DEFINED IN SECTION 3(32) OF ERISA, A CHURCH PLAN AS DEFINED IN SECTION 3(33) OF ERISA OR A NON-US PLAN AS DESCRIBED IN SECTION 4(b)(4) OF ERISA THAT MAY BE SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (ANY SUCH LAW OR REGULATION, A "SIMILAR LAW", AND EACH OF (I)-(IV), A "PLAN"), OR (2)(I) IT IS A PLAN AND HAS OBTAINED THE WRITTEN APPROVAL OF THE ISSUER TO SUBSCRIBE FOR AND PURCHASE THIS SECURITY IN THE OFFERING DIRECTLY FROM THE INITIAL PURCHASERS ("APPROVED PLAN") AND (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT (X) CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW, AND (B) IT WILL NOT TRANSFER THIS SECURITY (OR INTEREST HEREIN) TO ANY TRANSFEREE THAT IS A PLAN OR ANY PERSON ACTING ON BEHALF OF ANY PLAN.

IF THE HOLDER HEREOF IS AN APPROVED PLAN, IT WILL BE REQUIRED TO FURTHER REPRESENT, WARRANT AND COVENANT IN WRITING THAT (I) NONE OF THE ISSUER, THE GUARANTORS, THE INITIAL PURCHASERS, THE TRUSTEE OR ANY OTHER PARTY TO THE TRANSACTIONS REFERRED TO IN THE OFFERING MEMORANDUM, OR OTHER PERSONS THAT PROVIDE MARKETING SERVICES, OR ANY OF THEIR RESPECTIVE AFFILIATES, HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH THE APPROVED PLAN, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE APPROVED PLAN ("PLAN FIDUCIARY"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS

DECISION TO INVEST IN THIS SECURITY, AND THEY ARE NOT OTHERWISE UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE APPROVED PLAN OR THE PLAN FIDUCIARY IN CONNECTION WITH THE APPROVED PLAN'S ACQUISITION OF THIS SECURITY; AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.

Each purchaser acknowledges that each Senior Secured Note will contain a legend substantially to the following effect:

THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF ANY OID, THE ISSUE PRICE, THE ISSUE DATE, AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING [DESIGNATED OFFICE] OF THE SENIOR SECURED NOTE ISSUER AT [ADDRESS OF SENIOR SECURED NOTE ISSUER].

Each purchaser acknowledges that each Senior PIK Note will contain a legend substantially to the following effect:

THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF ANY OID, THE ISSUE PRICE, THE ISSUE DATE, AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING [DESIGNATED OFFICE] OF THE SENIOR PIK NOTE ISSUER AT [ADDRESS OF SENIOR PIK NOTE ISSUER].

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.

- (8) 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.
- (9) 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 Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.
- (10) 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.
- (11) 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.
- (12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuers 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*."

You acknowledge that this offering memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

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 PIK Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior PIK Notes Issuer, the entire principal amount of the Senior PIK Notes. Each of the sales will be made pursuant to a purchase agreement among the Senior Secured Notes Issuer, the Senior PIK Notes Issuer and the Initial Purchasers to be dated the date of the final offering memorandum (the "Purchase Agreement"). The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Secured Notes from the Senior Secured Notes Issuer and the Senior PIK Notes from the Senior PIK Notes Issuer, are several and not joint. 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 of counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased to a certain extent or the offering may be terminated.

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 of the Notes, the Initial Purchasers may change the price at which the Notes are offered and any other selling terms of the Notes may be varied by the Initial Purchasers from time to 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 prospective investors and to reject orders in whole or in part.

Certain of the CVC Funds may place a purchase order for and may be allocated Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a rebate of the Initial Purchasers' discount in respect of the Notes purchased by the CVC Funds upon release of the applicable proceeds at the Issue Date.

The Notes and the Note Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to certain 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 Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors.*"

Certain of the Initial Purchasers are not U.S. registered broker-dealers and, therefore, to the extent that they intend to effect any sales of the Notes in the United States, will do so through one or more U.S. registered broker-dealers as permitted by the Regulations of the Financial Industry Regulatory Authority.

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.*"

We have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuers will apply, through their listing agent, to list the Notes on the Official List of the Exchange, however, the Issuers cannot assure you that such listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See *"Risk Factors—Risks Related to the Notes, the Note Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited."*

We expect that delivery of the Notes will be made against payment on the Notes on or about , 2021, which will be business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + "). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the following business days will be required by virtue of the fact that the Notes will initially settle in T + , 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.

No sales of similar securities

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed to provide the Initial Purchasers certain customary fees or discounts for their services in connection with the Offering and to reimburse them for certain out of pocket expenses. 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 Senior Secured Notes Issuer, the Senior PIK Notes Issuer, the Guarantors providing the Note Guarantees and 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 45 days after the closing of the Offering without the prior written consent of Goldman Sachs Bank Europe SE as representative for the Initial Purchasers.

Notice to prospective investors in the EEA

MiFID II

Each Initial Purchaser has represented, warranted and agreed with us that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For these purposes, a "retail investor," means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. The expression "offer" includes 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.

PRIPs regulation / prohibition of sales to EEA retail investors

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

Notice to prospective investors in the United Kingdom

The offering memorandum is for distribution only to persons who: (i) are outside the UK; (ii) 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"); (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in

investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The 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 the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

UK MiFIR

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS") and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the purposes of this provision, the term "manufacturers" shall mean such of the Joint Bookrunners and Co-Managers as are subject to the product governance rules under COBS and UK MiFIR.

UK PRIIPs regulation / prohibition of sales to UK retail investors

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

Stabilization

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the Offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase 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, the Note Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited."*

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 Stabilizing Manager. 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.

Affiliation

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 and/or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory (including, but not limited to, in connection with the Transaction), and/or commercial banking services to us and/or our affiliates (or former affiliates) in the ordinary course of business, for which they have received or may receive customary fees, commissions and reimbursement of expenses. Certain of the Initial Purchasers or their affiliates are also lenders under existing credit facilities (including the Existing Senior Secured Facilities) and are holders of the Existing Senior Secured Notes and/or Existing Senior Notes, which will be repaid as a result of the Transaction.

The Initial Purchasers and/or their affiliates may also receive allocations of the Notes. Deutsche Bank AG, London Branch is acting as agent under the Existing Senior Secured Facilities, the Existing Senior Secured Notes and the Existing Senior Notes, and will act as Security Agent for the Notes, the Senior Secured Facilities and the Intercreditor Agreement. Deutsche Bank AG, London Branch is acting as agent under the Existing Senior Secured Facilities and will act as the agent under the Senior Secured Facilities. The Initial Purchasers and/or their affiliates may also enter into hedging arrangements with us in connection with the Transaction.

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, which may include the Notes. Any such short positions could adversely affect future trading prices of the Notes. 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.

Electronic distribution

The offering memorandum in electronic format may be made available by e-mail or through other online services maintained by the Initial Purchasers or their respective affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The Initial Purchasers may agree with us to allocate a specific number of Notes for sale to online brokerage account holders. Any such allocation for online distributions will be made by the Initial Purchasers on the same basis as other allocations. Other than the offering memorandum in electronic format, the information on the Initial Purchasers' website and any information contained in any other website maintained by the Initial Purchasers is not part of the offering memorandum, has not been approved and/or endorsed by us or the Initial Purchasers and should not be relied upon by investors.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuers are incorporated under the laws of Germany. None of the directors, officers and other executives of the Issuers and the Guarantors are residents nor citizens of the United States. Furthermore, all of the assets of the Issuers and all of the assets of the Guarantors and the assets of their respective directors, officers and executive officers are located outside of the United States. As a result, although we have appointed an agent for service of process 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.

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. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- 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 had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- 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 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.

It is doubtful whether a German court would impose civil liability if proceedings were commenced in Germany based solely upon U.S. federal or state securities laws. German courts also usually deny the recognition and enforcement of punitive damages as incompatible with the substantive foundations of German law. 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.

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.

If the party in whose favor such final U.S. judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States will be regarded by a

German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

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. A Dutch court will, under current practice and based on case law, generally grant the same judgment without re-litigation analysis on the merits if (i) the non-Dutch court rendering that judgment has jurisdiction over the matter on internationally acceptable grounds and has conducted the proceedings in accordance with the Dutch concept of due process, (ii) that judgment does not contravene public policy (*openbare orde*) of The Netherlands, (iii) the non-Dutch judgment is not in conflict with a decision rendered by a Dutch court between the same parties, or with an earlier judgment rendered by a non-Dutch court in proceedings involving the same cause of action and between the same parties, provided that the earlier decision can be recognized in The Netherlands, and (iv) the non-Dutch judgment is—according to the law of its country of origin—final and conclusive in such a way that all appeals have been exhausted and no other remedy could be obtained from a competent judicial body. Moreover, a Dutch 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. The enforcement and recognition of judgments of U.S. courts in The Netherlands are subject to the Dutch rules of civil procedure. In addition, a creditor that wants to claim payment in the Netherlands further to a judgement of a U.S. court as described above, can do so in the currency stipulated in the U.S. judgement or in the Dutch currency, i.e., in Euro.

Poland

The enforcement of judgments of foreign courts in Poland is subject to treaties and conventions to which Poland as a party and the rules of the Polish Code of Civil Procedure.

There is no treaty between the United States of America and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, to judgments of U.S. courts, the rules of the Polish Code of Civil Procedure shall apply. Under these rules, a judgment against the Polish subsidiary guarantor obtained in a U.S. court will be recognized in Poland except in the following circumstances:

- the judgment is not final and binding in the jurisdiction in which it was issued;
- the case belongs to the exclusive jurisdiction of the Polish courts;
- a defendant who has not entered the dispute as to merits has not been served the complaint in a manner enabling the defendant to defend himself,
- the party has been deprived of the possibility of defending itself in judicial proceedings;
- a case regarding the same claim between the same parties was pending in Poland earlier than before a court of the foreign country;
- the judgment is contrary to an earlier final and binding judgment of a Polish court or an earlier final and binding judgment of a foreign court satisfying the conditions for its recognition in Poland, which was rendered in a case 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 Poland.

Enforceability of such judgement further requires that a Polish court issues a decision confirming that the judgment of the U.S. court is enforceable in Poland. The decision will be issued provided that a given judgement is enforceable in the United States. Once the motion to declare enforceability is considered and approved, the court issues a decision to grant an enforceability clause. Enforcement may be initiated as soon as the decision granting the enforceability clause becomes final and binding. Enforcement actions carried out by bailiffs under the auspices of Polish courts may be challenged and, therefore, the enforcement of obligations may ultimately be unsuccessful or time-consuming, even if the U.S. judgment is recognized and enforceable in Poland.

Luxembourg

The United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Therefore, an enforceable judgment for the payment of monies rendered by any US Federal or state court based on civil liability, whether or not predicated solely upon the US securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a US court may initiate enforcement proceedings in Luxembourg (exequatur) by requesting enforcement of the US judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the US judgment if it is satisfied that all of the following conditions are met:

- the US judgment is enforceable (*executoire*) in the United States;
- the US court awarding the judgment has jurisdiction to adjudicate the applicable matter under applicable US Federal or state jurisdictions rules, and the jurisdiction of the US court is recognized by Luxembourg private international and local law; the US court has applied the substantive law as designated by Luxembourg conflict of laws rules according to certain Luxembourg case law, it is admitted that Luxembourg courts which are asked to grant an exequatur do not have to verify whether the substantive law actually applied by the US court awarding the judgment was the law which would have been thus designated;
- the US judgment does not contravene international public policy or order as understood under the laws of Luxembourg;
- the US court has acted in accordance with its own procedural laws;
- the US judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the US judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Please note that Luxembourg case law is constantly evolving. Some of the above conditions of admissibility may change: additional conditions could be required to be fulfilled by Luxembourg courts while other conditions may not be verified by Luxembourg courts in the future.

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although such a review is not statutorily prohibited.

If an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not bona fide or if the foreign law was not pleaded or proved or if pleaded and proved, the foreign law was contrary to Luxembourg mandatory provisions (*lois impératives*) or incompatible with Luxembourg public policy rules, and (ii) if its application is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of US federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Freshfields Bruckhaus Deringer LLP as to matters of U.S. federal, New York state, English and Dutch law, Freshfields Bruckhaus Deringer Rechtsanwälte Steuerberater PartG mbB as to matters of German law, Wardyński i Wspólnicy sp.k. as to matters of Polish law and Arendt & Medernach S.A. as to matters of Luxembourg law. Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by Allen & Overy LLP as to matters of U.S. federal, New York state, German, English and Dutch law, Allen & Overy A. Pędzich sp. k. as to matters of Polish law and Allen & Overy SCS as to matters of Luxembourg law.

INDEPENDENT AUDITORS

The German-language audited consolidated financial statements of the Parent as of and for the year ended September 30, 2020 and 2019 have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG"), independent auditors, in accordance with German law and German standards on auditing, as stated in the respective independent auditor's report originally issued in German language. English language translations prepared by the Parent of the above-mentioned German-language consolidated financial statements and the respective auditor's reports are included elsewhere in this Offering Memorandum. See further *"Summary Historical Financial and Other Information"* and *"Selected Consolidated Financial Information"*.

The unaudited interim consolidated financial information as of and for the first quarter 2019/2020 has been restated according to IAS 8.42 et. sec. during the financial year 2020/2021 due to overstated accrued expenses in the reportable segment Germany, incomplete IFRS 16 lease contract data, and the re-assessment of the expected useful life of a building, which was understated and such restatement was included in the unaudited interim consolidated financial information as of and for the first quarter 2020/2021 and disclosed in the notes thereto. The unaudited interim condensed consolidated financial statements of the Parent as of and for the three months ended December 31, 2020 authorized for issue as of February 25, 2021 have been replaced by the unaudited interim condensed consolidated financial statements of the Parent authorized for issue as of March 12, 2021.

Furthermore, the disclosure note referring to the disaggregation of revenue according to IFRS 15.114 et. seq. attributable to e-commerce and brick & mortar sales on a segment level (which we present based on geographical regions) for the financial year 2019/2020 was not included in our consolidated financial statements as of and for the financial year 2019/2020 and is presented now according to IAS 8.42 et seq. in the unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2020 (see the note "net sales" to our unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2020).

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 Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to 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 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 PIK Notes—Certain Covenants—Reports*”.

Copies of the Issuers’ organizational documents, 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 Principal Paying Agent during normal business hours for a period of 14 days following the grant of listing of the Notes. See “*Listing and General Information*”. Copies of such documents will also be available from the Issuers upon written request to the address of the applicable Issuer on and after the grant of listing of the Notes.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Neither the admission of the Notes to the Official List of the Exchange nor the approval of this offering memorandum pursuant to the listing requirements of the Authority shall constitute a warranty or representation by the Authority as to the competence of the service providers to, or any other party connected with, the Issuers, the adequacy and accuracy of information contained in this offering memorandum or the suitability of the Issuers for investment or for any other purpose.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

A copy of this offering memorandum will be available for inspection at the offices of the Issuers during normal business hours for a period of 14 days following the listing of the Notes on the Official List of the Exchange.

Clearing Information

The Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream.

Certain trading information is set forth below.

<u>Tranche</u>	<u>ISIN</u>	<u>Common Code</u>
Rule 144A Senior Secured Notes	XS	
Regulation S Senior Secured Notes	XS	
Rule 144A Senior PIK Notes	XS	
Regulation S Senior PIK Notes	XS	

Legal Information

The Senior PIK Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on January 28, 2021, under the laws of Germany and registered with the commercial registry of the local court of Düsseldorf under the number HRB 92283. We are in the process of registering the Senior PIK Notes Issuer under the name Kirk Beauty SUN GmbH and changing its principal business address.

The Senior Secured Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on January 16, 2015, under the laws of Germany. The Senior Secured Notes Issuer is registered with the commercial registry of Düsseldorf under the number HRB 79074. The Senior Secured Notes Issuer's principal business address is Luise-Rainer-Straße 7-11, 40235 Düsseldorf. The share capital of the Senior Secured Notes Issuer is €25,000 divided into 25,000 ordinary shares with nominal value of €1.

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the Group's financial position since December 31, 2020; and
- neither the Issuers nor the Group has 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 Issuers or the Group is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Guarantors

The following is a description of the Guarantors excluding the Senior Secured Notes Issuer. For a description of the Senior Secured Notes Issuer, see "*Legal Information*" above.

Kirk Beauty Two GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 10136. Members of Kirk Beauty Two GmbH's management may be reached at its business address, Kabeler Str. 4, 58099 Hagen, Germany.

Kirk Beauty One GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Düsseldorf under registration number HRB 79429. Members of Kirk Beauty One GmbH's management may be reached at its business address, Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany.

Parfümerie Douglas GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Düsseldorf under registration number HRB 79122. Members of Parfümerie Douglas GmbH's management may be reached at its business address, Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany.

Parfümerie Douglas Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Düsseldorf under registration number HRB 79018. Members of Parfümerie Douglas Deutschland GmbH's management may be reached at its business address, Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany.

Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany and registered with the commercial register of the local court of Potsdam under registration number HRA 4659 P. The partnership may be reached at its business address, Zum Königsgraben 2, 15806 Zossen, Germany.

Parfümerie Douglas International GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Düsseldorf under registration number HRB 81993. Members of Parfümerie Douglas International GmbH's management may be reached at its business address, Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany.

Douglas Marken- und Lizenzen GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany and registered with the commercial register of the local court of Potsdam under registration number HRA 5445 P. Members of Douglas Marken- und Lizenzen GmbH & Co. KG's management may be reached at its business address, Zum Königsgraben 2, 15806 Zossen, Germany.

Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of Potsdam under the registration number HRB 29770 P. Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH has emerged by way of a form-changing conversion of Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG per conversion resolution dated February 22, 2017. Members of Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH's management may be reached at its business address, Zum Königsgraben 2, 15806 Zossen, Germany.

Douglas Investment B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 09138802. Douglas Investment B.V.'s management may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

Parfumerie Douglas Nederland B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 10005918. Members of Parfumerie Douglas Nederland B.V.'s management may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

Douglas Finance B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 09184188. Douglas Finance B.V.'s management may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

Kirk Beauty Netherlands Holding B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 63957469. Kirk Beauty Netherlands Holding B.V.'s management may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

Kirk Beauty Netherlands B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 63980665. Kirk Beauty Netherlands B.V.'s management may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

"Douglas Polska" sp. z o.o. is a Polish limited liability company (*spółka z ograniczoną odpowiedzialnością*) organized under the laws of Poland and registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw under KRS number 0000051020. Members of "Douglas Polska" sp. z o.o.'s management may be reached at its business address, Zajęcza 4, 00-351 Warsaw, Poland.

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¹ The unaudited interim consolidated financial information as of and for the first quarter 2019/2020 has been restated according to IAS 8.42 et. sec. during the financial year 2020/2021 due to overstated accrued expenses in the reportable segment Germany, incomplete IFRS 16 lease contract data, and the re-assessment of the expected useful life of a building, which was understated and such restatement was included in the unaudited interim consolidated financial information as of and for the first quarter 2020/2021 and disclosed in the notes thereto. The unaudited interim condensed consolidated financial statements of the Parent as of and for the three months ended December 31, 2020 authorized for issue as of February 25, 2021 have been replaced by the unaudited interim condensed consolidated financial statements of the Parent authorized for issue as of March 12, 2021.

² The disclosure note referring to the disaggregation of revenue according to IFRS 15.114 et. seq. attributable to e-commerce and store sales on a segment level (which we present based on geographical regions) for the financial year 2019/2020 was not included in our consolidated financial statements as of and for the financial year 2019/2020 and is presented now according to IAS 8.42 et seq. in the unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2020 (see the note "net sales" to our unaudited IFRS interim consolidated financial information as of and for the three months period ended December 31, 2020).

Interim Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

The consolidated statements have been prepared in millions of Euro (€ million). Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	10/01/2020- 12/31/2020 EUR m	10/01/2019- 12/31/2019 EUR restated ⁴
1. Sales	1,172.9	1,292.9
2. Cost of raw materials, consumables and supplies and merchandise	(659.9)	(716.1)
3. Gross Profit	513.0	576.8
4. Other operating income	78.9	94.4
5. Personnel expenses	(149.5)	(172.9)
6. Other operating expenses	(225.5)	(210.5)
7. Result from impairments on financial assets	0.0	(0.2)
8. EBITDA (=reported EBITDA)	217.0	287.6
9. Amortization/depreciation/impairments	(97.6)	(101.4)
10. EBIT	119.3	186.3
11. Financial income	87.9	12.8
12. Financial expenses	(41.8)	(34.4)
13. Financial result	46.1	(21.5)
14. EBT	165.5	164.7
15. Income taxes	(25.7)	(33.9)
16. Profit (+) or Loss (-) of the period (Net Income)	139.7	130.8
<i>Attributable to owners of the parent</i>	<i>139.7</i>	<i>130.8</i>

⁴ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Interim Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	<u>Notes No.</u>	<u>10/01/2020- 12/31/2020 EUR m</u>	<u>10/01/2019- 12/31/2019 EUR m restated⁵</u>
Profit (+) or Loss (-) of the period (Net Income)			
Components that are or may be reclassified subsequently to the income statement			
Foreign currency translation differences arising from translating the financial statements of a foreign operation		139.7	130.8
		(3.9)	1.5
Components that will not be reclassified to profit or loss			
Actuarial gains/losses from pension provisions		0.0	0.0
Other comprehensive income		(3.9)	1.5
Total comprehensive income		135.9	132.3
<i>Attributable to owners of the parent</i>		135.9	132.3

⁵ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Interim Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of December 31, 2020

Assets

		12/31/2020 EUR m	12/31/2019 EUR m restated ⁶	09/30/2020 EUR m
A.	Non-current assets			
I.	Intangible assets	2,039.7	2,344.5	2,045.1
II.	Property, plant and equipment	261.6	298.9	278.0
III.	Right-of-use assets from leases	1,178.4	1,380.5	1,230.9
IV.	Financial assets	935.0	602.5	851.8
V.	Deferred tax assets	57.4	86.8	60.2
		<u>4,472.1</u>	<u>4,713.2</u>	<u>4,465.9</u>
B.	Current assets			
I.	Inventories	768.9	802.7	738.6
II.	Trade accounts receivable	56.8	75.9	37.5
III.	Tax receivables	19.9	30.2	23.2
IV.	Financial assets	245.8	285.3	164.8
V.	Other assets	30.2	24.4	34.8
VI.	Cash and cash equivalents	459.1	362.4	256.3
		<u>1,580.7</u>	<u>1,580.9</u>	<u>1,255.2</u>
Total		<u>6,052.8</u>	<u>6,294.1</u>	<u>5,721.1</u>

Equity and Liabilities

		12/31/2020 EUR m	12/31/2019 EUR m restated ⁷	09/30/2020 EUR m
A.	Equity			
I.	Capital stock*	0.0	0.0	0.0
II.	Additional paid-in capital	1125.1	1125.1	1,125.1
III.	Reserves	(322.0)	(126.6)	(457.8)
		<u>803.2</u>	<u>998.5</u>	<u>667.3</u>
B.	Non-current liabilities			
I.	Pension provisions	37.6	39.8	37.9
II.	Other non-current provisions	57.3	53.1	58.1
III.	Financial liabilities	3,331.3	3,437.1	3,371.5
IV.	Other liabilities	18.0	9.8	14.6
V.	Deferred tax liabilities	193.5	199.3	193.7
		<u>3,637.6</u>	<u>3,739.1</u>	<u>3,675.8</u>
C.	Current liabilities			
I.	Current provisions	112.0	109.2	123.5
II.	Trade accounts payable	670.4	713.2	503.5
III.	Tax liabilities	140.0	146.8	68.7
IV.	Financial liabilities	423.7	331.6	458.6
V.	Other liabilities	265.9	255.6	223.7
		<u>1,612.0</u>	<u>1,556.6</u>	<u>1,378.0</u>
Total		<u>6,052.8</u>	<u>6,294.1</u>	<u>5,721.1</u>

*) Capital stock amounts to €25.000,00.

⁶ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

⁷ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Interim Statement of Changes in Group Equity

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	Attributable to owners of the parent					
	Capital stock* EUR m	Additional paid-in capital EUR m	Reserves			Total EUR m
			Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	
10/01/2020	0.0	1,125.1	(450.5)	(2.0)	(5.3)	667.3
Currency translation					(3.9)	(3.9)
Profit (+) or Loss (-) of the period (Net Income)			139.7			139.7
Total comprehensive income	0.0	0.0	139.7	0.0	(3.9)	135.9
12/31/2020	0.0	1,125.1	(310.7)	(2.0)	(9.2)	803.1

	Attributable to owners of the parent					
	Capital stock* EUR m	Additional paid-in capital EUR m	Reserves			Total EUR m
			Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	
10/01/2019	0.0	1,125.1	(260.2)	(2.9)	(2.9)	859.1
Error correction in current accounts			9.4			9.4
Adjustment on initial application of IFRS 16			(2.3)			(2.3)
Adjusted balance 01/10/2019 ...	0.0	1,125.1	(253.2)	(2.9)	(2.9)	866.1
Currency translation					1.5	1.5
Profit (+) or Loss (-) of the period (Net Income)			130.8			130.8
Total comprehensive income	0.0	0.0	130.8	0.0	1.5	132.3
12/31/2019⁸	0.0	1,125.1	(122.4)	(2.9)	(1.4)	998.4

⁸ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Interim Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

		10/01/2020- 12/31/2020 EUR m	10/01/2019- 12/31/2019 EUR m restated ⁹
1.	Profit (+) or Loss (-) of the period (Net Income)	139.7	130.8
2.	+ Income taxes	25.7	33.9
3.	+ Financial result	(46.1)	21.5
4.	+ Amortization/depreciation/impairments	97.6	101.4
5.	= EBITDA (=reported EBITDA)	217.0	287.6
6.	+/- Increase/decrease in provisions	(12.7)	(6.4)
7.	+/- Other non-cash expense/income	0.3	0.4
8.	+/- Changes in net working capital without liabilities from investments in non-current assets	73.9	73.1
9.	+/- Changes in other assets and liabilities not classified as investing or financing activities	82.0	67.5
10.	-/+ Paid/reimbursed taxes	(6.0)	(6.8)
11.	= Net cash flow from operating activities	354.5	415.4
12.	+ Proceeds from the disposal of non-current assets	0.3	0.1
13.	- Investments in non-current assets	(27.5)	(31.1)
14.	= Net cash flow from investing activities	(27.3)	(31.1)
15.	Free cash flow (total of 11. and 14.)	327.2	384.4
16.	- Payments for the repayment of financial liabilities	(105.7)	(84.0)
17.	+ Proceeds from borrowings	9.8	1.1
18.	- Interest paid	(28.3)	(20.3)
19.	+ Interest received	0.1	0.1
20.	= Net cash flow from financing activities	(124.2)	(103.3)
21.	Net change in cash and cash equivalents (total of 11., 14. and 20.)	203.0	281.2
22.	+/- Net change in cash and cash equivalents due to currency translation	(0.2)	0.2
23.	+ Cash and cash equivalents at the beginning of the reporting period	256.3	81.0
24.	= Cash and cash equivalents at the end of the reporting period	459.1	362.4

⁹ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Notes to the Interim Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Segment Reporting

Reportable Segments

	Germany		France		South-Western Europe	
	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019 restated ¹⁰	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019
Sales (net)	453.0	480.9	287.3	309.1	312.3	369.4
Intersegment sales	19.7	13.2	0.0	0.0	0.0	0.0
Sales	472.7	494.1	287.3	309.1	312.3	369.4
EBITDA (=reported EBITDA)	59.5	90.2	68.0	76.5	57.8	84.9
EBITDA-margin	13.1	18.8	23.7	24.8	18.5	23.0
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	(21.7)	(24.2)	(11.8)	(10.9)	(26.0)	(28.9)
Key performance indicator to be adjusted	37.8	66.0	56.2	65.7	31.8	56.0
Sales-margin on key performance indicator to be adjusted	8.3	13.7	19.6	21.2	10.2	15.1
Sum of adjustments	17.2	0.0	2.7	2.4	5.8	1.2
Adjusted EBITDA	55.0	66.1	58.9	68.1	37.6	57.2
Adjusted EBITDA-margin	12.1	13.7	20.5	22.0	12.0	15.5
Inventories	256.6	263.3	119.1	132.9	301.2	307.2
Capital expenditure	8.6	8.5	1.6	2.2	2.0	3.1

¹⁰ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	Eastern Europe		Consolidation		Kirk Beauty One GmbH	
	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019 restated ¹¹
Sales (net)	EUR m	120.2	133.5	0.0	1,172.9	1,292.9
Intersegment sales	EUR m	0.0	0.0	(13.2)	0.0	0.0
Sales	EUR m	120.2	133.5	(19.7)	1,172.9	1,292.9
EBITDA (=reported EBITDA)	EUR m	31.9	35.8	(0.3)	217.0	287.6
EBITDA-margin	%	26.6	26.8		18.5	22.2
Lease expenses and income according to former IAS 17 which are to be capitalized						
following IFRS 16	EUR m	(8.9)	(8.5)	0.0	-68.5	-72.5
Key performance indicator to be adjusted	EUR m	23.0	27.3	(0.3)	148.4	215.1
Sales-margin on key performance indicator to be adjusted	%	19.1	20.4		12.7	16.6
Sum of adjustments	EUR m	3.2	0.6	0.0	28.8	4.3
Adjusted EBITDA	EUR m	26.2	27.9	(0.3)	177.3	219.4
Adjusted EBITDA-margin	%	21.8	20.9		15.1	17.0
Inventories	EUR m	97.0	103.9	(5.0)	768.9	802.7
Capital expenditure	EUR m	3.0	5.1	0.0	15.2	18.9

¹¹ Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Notes to the Interim Consolidated Financial Statements—(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Chief Operating Decision Maker, reportable and operating segments

In conformity with IFRS 8 "Operating Segments", the reporting segments are categorized based on their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker. Unchanged to the financial year ending September 30, 2020, the Douglas Group's countries are classified as operating segments which are allocated to the reportable segments Germany, France, South-Western Europe and Eastern Europe.

Segment Performance Indicator

The segment performance indicator is Adjusted EBITDA.

Alongside sales, adjusted EBITDA is the Douglas-Group's key financial performance indicator that is used to assess the performance of the segments and manage resource allocation.

Segment sales represent sales with external third parties. Intersegment sales present sales between individual segments. The allocation of segment sales is based on the registered office of the selling unit.

We evaluate each of our business segments using a measure that reflects all the segment's income and expenses. We believe the most appropriate measure in this regard is Adjusted EBITDA as it is helpful for investors as a measurement of the segment's ability to generate cash and to service financing obligations. EBITDA and Adjusted EBITDA are non-IFRS measures.

Internal licensing costs and other similar costs charged from the segment Germany to the segments South-Western Europe and Eastern Europe were not included in the presentation of segment EBITDA and adjusted segment EBITDA, in accordance with the internal steering logic.

Adjusted EBITDA is defined as follows:

The EBITDA reported in the Consolidated Statement of Profit or Loss is adjusted for those lease expenses and income in accordance with the former IAS 17 that are to be capitalized in accordance with IFRS 16. The resulting "key performance indicator to be adjusted" is adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control. Adjusted EBITDA is also decisive for calculating the underlying covenants of loan financing.

The resulting "key performance indicator to be adjusted" is adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control.

Because not all companies that publish financial information calculate EBITDA and Adjusted EBITDA on a uniform basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures.

Adjustments

Adjustments include, but are not limited to PPA effects, consulting fees, restructuring costs, costs such as credit card fees deemed as financing costs and other extraordinary costs. The definition of adjustments is unchanged compared to the Kirk Beauty One IFRS Consolidated Financial Statements as at September 30, 2020.

The adjustments are basically divided into the following five categories: "Credit card fees," "Purchase price allocations (PPA)," "Restructuring costs and severance payments," "Consulting fees" and "Other adjustments". In view of the abnormal situation and uniqueness of the COVID-19 pandemic, certain related expenses and income have also, in the opinion of management, to be adjusted and have been disclosed separately in the category "COVID-19-effects".

- Credit card fees:
Fees charged for the use of credit cards are classified as financial expenses and are reclassified to these

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

- Purchase Price Allocations (PPA):
EBITDA effects in profit or loss concerning the amortization of hidden reserves disclosed in connection with business combinations
- Restructuring costs and severance payments:
Expenses in connection with the sale or termination of a business unit, the permanent closure or sale of a group of stores, significant changes in the structure of management or fundamental reorganizations. Within this context, expenses in the form of severance payments and salary continuation payments without replacement of the position, furthermore in the case of management positions at national or Group level irrespective of the replacement of the position, are to be mentioned in particular.
- Consulting fees:
In relation to strategic projects, acquisitions and financing.
- COVID-19-effects:
The COVID-19 related lockdown led to several temporary closures of our stores across Europe, resulting in a significant drop of our overall Net Sales. Furthermore, some of our employees were on short-time labor which led to a substantial decrease in our personnel expenses. COVID-19 adjustments particularly resulted from lockdown-caused temporary store closures, mainly in the form of rent-related idle costs of €7.7 million and staff-related idle costs of €3.9 million (comprising offsetting effects from payroll-related subsidies, totaling €1.2 million) as well as costs of €0.5 million for external staffing. Adjustments comprised offsetting effect from staff-related subsidies, totaling €1.2 million. Additional direct costs amounted to €1.3 million and especially included expenses for the purchase of hygiene articles such as disinfectants and masks and cleaning costs amounting to €0.6 million.
- Other adjustments
Other matters that do not recur on a regular basis, are exceptional or are not suitable for internal management. These include in particular: Restructuring expenses that are not personnel-related, write-downs of receivables, impairment losses on inventories if not reported separately due to materiality, income from the reversal of previously adjusted provisions.

Reconciliation from EBITDA to Adjusted EBITDA

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	10/01/2020- 12/31/2020 EUR m	10/01/2019- 12/31/2019 EUR m restated ¹²
EBITDA (=reported EBITDA)	217.0	287.6
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	(68.5)	(72.5)
Key performance indicator to be adjusted	148.4	215.1
Credit card fees	6.1	6.0
Purchase Price Allocations (PPA)	3.3	0.9
Consulting fees	5.3	3.4
COVID-19-effects	13.3	0.0
Other adjustments	0.8	(6.0)
Sum of adjustments	28.8	4.3
Adjusted EBITDA	177.3	219.4

¹² Restated; please refer to the chapter "Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019".

Notes to the Interim Consolidated Financial Statements—(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Other explanations on segment reporting

The recognized segment sales correspond to sales with external third parties. Internal sales account for sales between individual segments. The allocation of segment sales is based on the registered office of the selling unit. The allocation of sales to the reporting segment is based on the registered location of the selling company.

The monthly reporting to the chief operating decision-maker only shows the inventories of individual segments as segment assets. Inventories shown in segment reporting include purchased goods, raw materials, consumables and supplies and advance payments for inventories.

Capital expenditure shown in segment reporting relates to additions made to intangible assets and property, plant and equipment.

Transfers between segments are generally performed at the same prices that would apply if the transaction were executed with third parties (arm's length transactions).

General principles

Kirk Beauty One GmbH (Kirk Beauty One, parent company, company) is a German limited liability company (Gesellschaft mit beschränkter Haftung), has its registered office at Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany and is registered in commercial register B of the district court of Düsseldorf under the registration number 79429.

Kirk Beauty One and Douglas GmbH issued Senior Secured Notes and Senior Notes at GEM segment of the Irish Stock Exchange in July 2015.

These Interim Consolidated Financial Statements cover the period of the first three months of the financial year 2020/21 from October 1, 2020 through December 31, 2020 (interim period) as of December 31, 2020 (interim reporting date) and were prepared in compliance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and mandatory for the financial year 2020/21.

These Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Company's last Annual Consolidated Financial Statements for the financial year ending September 30, 2020. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last Annual Consolidated Financial Statements.

The Interim Consolidated Financial Statements were prepared in euros (EUR/€). All figures are stated in millions of euros (EUR m) unless otherwise stated.

Assumption of going concern as the basis for accounting

The financial risks represent a going concern risk for the Douglas-Group. The following material uncertainties exist:

- the follow-up refinancing until maturity in 2022 and 2023 must succeed,
- the necessary and planned increase in earning power in the Group's transformation process must be achieved and thus solvency maintained, and
- the liquidity of the Group must not be further burdened by further delays in opening the stores.

The long-term financing of the Douglas-Group is provided by a senior syndicated loan agreement including a Revolving Credit Facility and Ancillary Facilities as well as corporate bonds issued. The risk of a lack of follow-up financing until maturity in 2022 or 2023 for the company's portfolio is generally and overall assessed as high, but the occurrence of this risk is considered to be rather low. Overall, the Douglas-Group has financial resources of €2,505.0 million at its disposal through the senior syndicated loan agreement including the Revolving Credit Facility and the corporate bonds issued. With the Revolving Credit Facility and the

Notes to the Interim Consolidated Financial Statements—(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Ancillary Facilities drawn down in the amount of €135.3 million as of December 2020, the credit lines are almost exhausted. According to current planning, the Douglas-Group will not be in a position to repay these liabilities from its own funds when the non-current financial liabilities mature, so that refinancing will have to be successful.

During the term of the financing agreements, the Douglas-Group must, among other obligations, in particular service the cost of capital on time and maintain a certain ratio between adjusted EBITDA and debt (financial covenant). However, the obligation to comply with the ratio of Adjusted EBITDA to debt only arises when at least 40.0 percent or €80 million (threshold) of the Revolving Credit Facility has been drawn by Revolving Credit Facility Loans.

The ongoing servicing of the cost of capital generally assumes that the Douglas-Group's planning will not be significantly missed in terms of sales, earnings and cash flow development.

The COVID-19 pandemic has had and continues to have a substantial impact on the Douglas-Group's business. The original plans for sales and earnings for the financial year 2019/20 from October 2019 were significantly missed.

It is now clear that COVID-19 has also an impact on the Group's further development in the 2020/21 financial year. At present, a reduction in financing reserves is assumed for the Douglas Group, taking into account the current lockdown-caused store closures and restrictions in some countries and the assumed openings from March 2021 on. Each additional week of lockdown-caused store closures further increases the liquidity risk.

The massive shift in business to digital retail and the compensation for the associated decline in store business, as well as the adjustment of the store network, are thus seen as a necessary step to increase profitability.

According to the liquidity planning there are only limited liquidity reserves beyond the reporting date of September 30, 2021 in order to maintain solvency at all times even in the event of further budget shortfalls or an extended period of lockdown-caused store closures.

Therefore Douglas-Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Retrospective restatement of comparative information for the first quarter of the prior year ending as of December 31, 2019

The Group has identified and corrected the following errors in the first quarter of the prior year:

Accrued expenses in the reportable segment Germany were overstated by €23.6 million. As a result, cost of raw materials, consumables and supplies and merchandise and related trade accounts payable were overstated.

Some IFRS 16 related postings based on insufficient information were incomplete or incorrect (especially previously unidentified leases or subleases as well as incorrect lease terms). Based on current information appropriate correction have been made, with primarily effects on right-of-use assets from leases, and corresponding financial liabilities as well as financial assets for sub leases.

The expected useful life of a building has been reconsidered. As a result, property plant and equipment were understated by €13.8 million. The error was corrected in equity partially offset by deferred tax liabilities.

All restatements of comparative information for the first quarter of the prior financial year 2019/20 have been considered and corrected in the last Annual Consolidated Financial Statements as at and for the financial year ending September 30, 2020.

The errors were corrected by adjusting the affected items in the restatement effects of financial statements for previous years accordingly. The following tables summarize the effects on the Interim Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Restatements effects on Interim Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2019 through December 31, 2019.

		Effects of the restatement		
		As previously reported EUR m	Restatements EUR m	Restated EUR m
2.	Cost of raw materials, consumables and supplies and merchandise	(739.8)	23.6	(716.1)
3. .	Gross Profit	553.1	23.6	576.8
4. .	Other operating income	97.0	(2.6)	94.4
6. .	Other operating expenses	(212.7)	2.2	(210.5)
8. .	EBITDA (=reported EBITDA)	264.4	23.2	287.6
9. .	Amortization/depreciation/impairments	(103.2)	1.8	(101.4)
10.	EBIT	161.3	25.0	186.3
11.	Financial income	12.8	0.1	12.8
12.	Financial expenses	(33.4)	(1.0)	(34.4)
13.	Financial result	(20.7)	(0.9)	(21.5)
14.	EBT	140.6	24.1	164.7
16.	Profit (+) or Loss (-) of the period (Net Income)	106.7	24.1	130.8
	<i>Attributable to owners of the parent</i>	106.7	24.1	130.8

Restatement effect on Interim Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of December 31, 2019

Assets

		Effects of the restatement		
		As previously reported EUR m	Restatements EUR m	Restated EUR m
A.	Non-current assets			
II.	Property, plant and equipment	285.2	13.8	298.9
III.	Right-of-use assets from leases	1,300.0	80.4	1,380.5
IV.	Financial assets	579.7	22.9	602.5
		4,596.2	117.1	4,713.2
B.	Current assets			
IV.	Financial assets	289.2	(3.9)	285.3
		1,584.8	(3.9)	1,580.9
Total	6,181.0	113.1	6,294.1

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Equity and Liabilities

		Effects of the restatement		
		As previously reported EUR m	Restatements EUR m	Restated EUR m
A.	Equity			
III.	Reserves	(157.8)	31.2	(126.6)
		967.3	31.2	998.5
B.	Non-current liabilities			
III.	Financial liabilities	3,361.1	76.1	3,437.1
V.	Deferred tax liabilities	194.9	4.4	199.3
		3,658.6	80.5	3,739.1
C.	Current liabilities			
II.	Trade accounts payable	736.9	(23.6)	713.2
IV.	Financial liabilities	306.5	25.2	331.6
		1,555.1	1.5	1,556.6
Total	6,181.0	113.1	6,294.1

Restatements effects on Interim Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2019 through December 31, 2019.

		Effects of the restatement		
		As previously reported EUR m	Restatements EUR m	Restated EUR m
1.	Profit (+) or Loss (-) of the period (Net Income) ...	106.7	24.1	130.8
2.	+ Income taxes	33.9	0.0	33.9
3.	+ Financial result	20.7	0.9	21.5
4.	+ Amortization/depreciation/impairments	103.2	(1.8)	101.4
5.	= EBITDA (=reported EBITDA)	264.4	23.2	287.6
7.	+/- Other non-cash expense/income	0.0	0.4	0.4
8.	+/- Changes in net working capital without liabilities from investments in non-current assets	96.7	(23.6)	73.1
9.	+/- Changes in other assets and liabilities not classified as investing or financing activities ...	67.5	0.0	67.5
11.	= Net cash flow from operating activities	415.5	0.0	415.4
15.	Free cash flow (total of 11. and 14.)	384.4	0.0	384.4
16.	- Payments for the repayment of financial liabilities	(88.7)	4.7	(84.0)
18.	- Interest paid	(15.6)	(4.7)	(20.3)
21.	Net change in cash and cash equivalents (total of 11., 14. and 20.)	281.2	0.0	281.2
24.	= Cash and cash equivalents at the end of the reporting period	362.4	0.0	362.4

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Restatements effects on Reportable Segments

of Kirk Beauty One GmbH for the first quarter of the fiscal year 2019/20 ending as of December 31, 2019

		Germany			Kirk Beauty One GmbH	
		10/01/2019-12/31/2019			10/01/2019-12/31/2019	
		Effects of the restatement			Effects of the restatement	
		As previously reported	Restatements	Restated	As previously reported	Restated
EBITDA (=reported EBITDA)	EUR m	67.0	23.2	90.2	264.4	287.6
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	EUR m	(24.6)	0.4	(24.2)	(73.0)	(72.5)
Key performance indicator to be adjusted	EUR m	42.4	23.6	66.0	191.5	215.1
Adjusted EBITDA	EUR m	42.4	23.6	66.1	195.8	219.4

Retrospective restatement of information for the first quarter of the financial year preceeding the prior year and ending as of December 31, 2018

The Group has identified and corrected the following errors in the first quarter of the prior year ending as of December 31, 2018.

Accrued expenses in the reportable segment Germany were overstated by €23.4 million. As a result, cost of raw materials, consumables and supplies and merchandise were overstated by €22.9 million and other operating expenses by €0.5 million as well as related trade accounts payable were overstated by €23.4 million.

Restatements effects on Interim Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2018 through December 31, 2018.

		Effects of the restatement		
		As previously reported EUR m	Restatements EUR m	Restated EUR m
2.	Cost of raw materials, consumables and supplies and merchandise	(692.2)	22.9	(669.3)
3.	Gross Profit	527.5	22.9	550.4
6.	Other operating expenses	(277.2)	0.5	(276.7)
8.	EBITDA (=reported EBITDA)	175.3	23.4	198.8
10.	EBIT	147.0	23.4	170.4
14.	EBT	128.2	23.4	151.6
16.	Profit (+) or Loss (-) of the period (Net Income)	90.5	23.4	114.0
	<i>Attributable to owners of the parent</i>	90.5	23.4	114.0

Restatement effect on Interim Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of December 31, 2018

		Effects of the restatement		
		As previously reported EUR m	Restatements EUR m	Restated EUR m
A.	Equity			
III.	Reserves	(138.0)	23.4	(114.6)
		987.1	23.4	1,010.6
C.	Current liabilities			
II.	Trade accounts payable	804.5	-23.4	781.0
		1,331.3	-23.4	1,307.9
Total		4,912.3	0.0	4,912.3

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Restatements effects on Reportable Segments

of Kirk Beauty One GmbH for the first quarter of the fiscal year 2018/19 ending as of December 31, 2018

		Germany 10/01/2018-12/31/2018 Effects of the restatement			Kirk Beauty One GmbH 10/01/2018-12/31/2018 Effects of the restatement		
		As previously reported	Restatements	Restated	As previously reported	Restatements	Restated
EBITDA (=reported							
EBITDA)	EUR m	32.0	23.4	55.5	175.3	23.4	198.8
EBITDA-margin	%	7.2	5.3	12.4	14.4	1.9	16.3
Adjusted EBITDA	EUR m	36.8	23.4	60.3	186.3	23.4	209.8
Adjusted EBITDA- margin	%	8.3	5.3	13.5	15.3	1.9	17.2

New accounting standards

Any of the new standards not yet applied by Kirk Beauty One GmbH, have no material impact on the presentation of the Interim Consolidated Financial Statements of Kirk Beauty One.

Reference is made to the overview summary of newly implemented or revised IASB accounting standards and interpretations in No. 2 of the Kirk Beauty One's last Annual Consolidated Financial Statements as at and for the financial year ending September 30, 2020.

Consolidation principles

Group of consolidated companies

All of the German and foreign companies over which Kirk Beauty One GmbH has direct or indirect control are fully consolidated in the Consolidated Financial Statements.

	Germany 23	Other countries 33	Total 56
10/01/2020			
companies consolidated for the first time	0	0	0
deconsolidated companies	0	0	0
merged companies	0	0	0
12/31/2020	23	33	56

Currency translation

The Interim Consolidated Financial Statements are presented in euros (Group currency), the functional currency of the parent company. The annual financial statements of foreign subsidiaries whose functional currency is not the same as the Group currency are translated into euros according to the functional currency concept.

The following exchange rates have been used for currency conversion for the foreign subsidiaries:

		Average exchange rate 10/01/2020- 12/31/2020 EUR	Closing rate 12/31/2020 EUR	Average exchange rate 10/01/2019- 12/31/2019 EUR	Closing rate 12/31/2019 EUR
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.93431	0.92575	0.89874	0.92132
Czech Koruna	CZK	0.03780	0.03811	0.03896	0.03936
Croatian Kuna	HRK	0.13265	0.13242	0.13480	0.13442
Hungarian Forint	HUF	0.00285	0.00275	0.00307	0.00303
Polish Zloty	PLN	0.22506	0.21931	0.23269	0.23492
Romanian Lei	RON	0.20670	0.20541	0.21072	0.20907
Turkish Lira	TRY	0.12432	0.10973	0.15730	0.14960
U.S. Dollar	USD	0.87621	0.81493	0.89318	0.89015

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Foreign currency transactions are recognized in the functional currency as translated at the applicable exchange rate at the time of the transaction. Monetary assets and liabilities nominally denominated in such foreign currencies are translated at the exchange rate on the interim reporting date. All differences resulting from currency translation are recognized in profit or loss in the Consolidated Statement of Profit or Loss.

Accounting and valuation principles

The accounting and valuation principles for the reporting period are substantially consistent with those applied for the Kirk Beauty One's Annual Consolidated Financial Statements as of September 30, 2020.

In calculating the expense relating to taxes on income, the interim tax expense is determined on the basis of the estimated effective income tax rate for the current fiscal year.

Comprising the Christmas season and besides events like Black Friday or Singles' Day, the first quarter of our fiscal year is measured in terms of Net Sales and Adjusted EBITDA the most important quarter, which is typical for a retailer in the consumer sector. All sales-related, seasonal or cyclical issues have been considered during the interim financial and business judgement was applied accordingly.

Use of judgements

Douglas makes discretionary decisions when determining the term of leases, considering renewal and / or termination options. The assessment of whether these options are exercised with sufficient certainty affects the term and consequently also the measurement of the lease liability and the right of use of a lease. The classification of lessor-related leases as operating or finance leases is also subject to discretionary decisions.

Assumptions and estimates

Assumptions and estimates have been made in the preparation of the Consolidated Financial Statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, particularly, in assessing whether or not there are any triggering events indicating the need for testing non-financial assets for impairment and the impairment losses under IFRS 9 with focus on the determination of the probability of occurrence of scenarios and the credit risk (loss rate), the determination of useful lives and valuing provisions and pension provisions and uncertain tax positions and estimating the probability that future tax refunds will be realized. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known. In particular, the impairments of financial and non-financial assets were significantly affected by the COVID-19 pandemic and may involve greater uncertainty.

Net sales

	Germany				France			
	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019	10/01/2019- 09/30/2020	10/01/2018- 09/30/2019	10/01/2020- 12/31/2020	10/01/2019- 12/31/2019	10/01/2019- 09/30/2020	10/01/2018- 09/30/2019
Net sales								
stores . . .	224.6	325.8	758.2	901.1	197.0	263.0	582.9	675.4
Net sales								
ecommerce	227.3	153.2	507.3	378.7	88.0	43.2	96.9	85.4
Net sales								
other . . .	1.1	2.0	4.9	9.4	2.3	3.0	8.2	6.2
Total	<u>453.0</u>	<u>480.9</u>	<u>1,270.4</u>	<u>1,289.1</u>	<u>287.3</u>	<u>309.1</u>	<u>688.0</u>	<u>767.1</u>

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	South-Western Europe				Eastern Europe			
	10/01/2020-12/31/2020	10/01/2019-12/31/2019	10/01/2019-09/30/2020	10/01/2018-09/30/2019	10/01/2020-12/31/2020	10/01/2019-12/31/2019	10/01/2019-09/30/2020	10/01/2018-09/30/2019
Net sales								
stores . . .	223.0	326.9	764.0	950.4	90.9	118.0	286.6	312.8
Net sales								
ecommerce	88.8	40.3	159.2	93.0	29.3	11.9	58.0	27.0
Net sales								
other	0.6	2.1	6.6	8.0	0.0	3.7	0.0	6.0
Total	<u>312.3</u>	<u>369.4</u>	<u>929.8</u>	<u>1,051.5</u>	<u>120.2</u>	<u>133.5</u>	<u>344.5</u>	<u>345.8</u>

	Consolidation				Kirk Beauty One GmbH			
	10/01/2020-12/31/2020	10/01/2019-12/31/2019	10/01/2019-09/30/2020	10/01/2018-09/30/2019	10/01/2020-12/31/2020	10/01/2019-12/31/2019	10/01/2019-09/30/2020	10/01/2018-09/30/2019
Net sales								
stores	0.0	0.0	0.0	0.0	735.5	1,033.6	2,391.7	2,839.7
Net sales								
ecommerce	0.0	0.0	0.0	0.0	433.4	248.6	821.5	584.1
Net sales								
other	0.0	0.0	0.0	0.0	3.9	10.7	19.5	29.6
Total	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,172.9</u>	<u>1,292.9</u>	<u>3,232.7</u>	<u>3,453.5</u>

The comparative information for the fiscal years ending as of September 30, 2020 and as of September 30, 2019 have been disclosed for the first time and retrospectively according to IAS 8.42.

Impairment of Assets

Impairment tests at store level, as cash-generating units (CGUs), lead to write-downs totaling €5.7 million (prior year: €0.0 million), of which €3.3 million (prior year: €0.0 million) were attributable to the segment Germany, €0.3 million (prior year: €0.0 million) to France, €2.1 million (prior year: €0.0 million) to South-Western Europe and €0.0 million (prior year: €0.0 million) to Eastern Europe. Triggering events for stores subject to impairment testing are, in particular, negative contribution margins as a result of a decline in customer frequency, also due to COVID-19 and planned, approved and announced permanent store closures.

For impairment testing the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is calculated as being the value in use based on discounted future cash flows from internal forecasts. Planning assumptions include sales growth, gross profit/EBITDA forecasts, estimates of replacement investments in the store network, the ratio of personnel expenses to sales and other cost ratios relating to individual stores. The forecasts are based on the residual term of the respective lease agreements including any extension options. The forecast term is between one and fifteen years. Calculations are based on interest rates of between 5.5 percent and 9.0 percent, before taxes and materially unchanged compared to the last Annual Consolidated Financial Statements for the financial year ending September 30, 2020.

We also saw the ongoing COVID-19 pandemic as a trigger for performing a goodwill impairment test. The parameters used in the test are essentially unchanged to those used in the impairment test as of September 30, 2020; this applies in particular to the planning assumptions. The range of capitalization rates after taxes is 6.4% to 9.7%. The calculation of the perpetual annuity continues to be based on a risk-adjusted growth rate of 1%. For operating segments whose value in use was below the carrying amount of the cash-generating unit, the fair value less cost of disposal was also determined. The recoverable amount is in all cases above the carrying amount, so that there is no need for impairment.

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Fair value of financial instruments¹³

Financial instruments categorized in accordance with IFRS 9 as of December 31, 2020

	Net book value EUR m	Category	Not measured at fair value EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Fair Value EUR m	Level
Trade accounts receivable	56.8	AC					
Cash and cash equivalents	459.1	AC					
Financial assets							
Receivables against shareholders ...	918.9	AC	918.9			918.9	2
Equity participations	2.1	FVtPL		2.1		2.1	2
Miscellaneous financial assets	259.8	AC	259.8			259.8	2
Total financial assets	1,180.8						
Trade accounts payable	670.4	AC					
Financial liabilities							
Purchase price liability arising from derivative financial instruments ...	1.6	AC	1.6			1.6	2
Liabilities to bank	1,808.8	AC	1,808.8			1,808.8	2
Liabilities from Senior Secured Notes	306.1	AC	306.1			265.5	1
Liabilities from Senior Notes	344.2	AC	344.2			212.7	1
Liabilities from minority options	11.7	AC	11.7			11.7	2
Liabilities from minority options	5.4	AC	5.4			5.4	3
Miscellaneous financial liabilities	1.4	AC	1.4			1.4	2
Total financial liabilities according to IFRS 9	2,479.3						
Lease liabilities according to IFRS 16	1,275.7						
Total financial liabilities	3,755.0						

Financial instruments categorized in accordance with IFRS 9 as of September 30, 2020.

¹³ Abbreviations used for the categories of financial instruments according to IFRS 9

AC - Measured at amortized cost;

FVtPL - Measured at fair value through profit or loss

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	Net book value EUR m	Category	Not measured at fair value EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Fair Value EUR m	Level
Trade accounts receivable	37.5	AC					
Cash and cash equivalents	256.3	AC					
Financial assets							
Receivables against shareholders ...	831.4	AC	831.4			831.4	2
Equity participations	2.1	FVtPL		2.1		2.1	2
Miscellaneous financial assets	183.1	AC	183.1			183.1	2
Total financial assets	1,016.6						
Trade accounts payable	503.5	AC					
Financial liabilities							
Purchase price liability arising from derivative financial instruments ...	2.0	AC	2.0			2.0	2
Liabilities to bank	1,838.0	AC	1,838.0			1,838.0	2
Liabilities from Senior Secured Notes	301.0	AC	301.0			274.8	1
Liabilities from Senior Notes	336.5	AC	336.5			224.8	1
Liabilities from minority options	11.7	AC	11.7			11.7	2
Liabilities from minority options	5.4	AC	5.4			5.4	3
Miscellaneous financial liabilities	3.6	AC	3.6			3.6	2
Total financial liabilities according to IFRS 9	2,498.3						
Lease liabilities according to IFRS 16	1,331.8						
Total financial liabilities	3,830.1						

Miscellaneous financial assets comprise several mainly short-term receivables.

Fair values of the Notes liabilities are calculated on the basis of market prices quoted on active markets (level 1).

A mark-to-market measurement based on yield curves available on the market is conducted for the interest rate caps presented as derivative financial instruments under "Assets" (level 2).

The contingent purchase price liability associated with the acquisition of the remaining 49 percent of the shares in Niche-Beauty.COM GmbH was recognized as a liability to minority shareholders at its fair value of €5.3 million as of the reporting date. The remaining 49 percent of the shares were acquired with economic effect from January 1, 2022 and subject to the condition precedent of payment of the second purchase price tranche. The purchase price of the 49 percent stake is also determined by the achievement of certain economic performance indicators. The expected value was determined on the basis of an equal distribution of the performance indicators within a range around the target achievement level. The expected value was discounted at an interest rate of 1.5 percent. The sensitivity of the fair value lies between the lower limit of €3.5 million and the upper limit of €6.0 million.

The contingent purchase price liability associated with the acquisition of the remaining 20 percent of the shares in Parfümerie AKZENTE GmbH was recognized as contingent consideration at its fair value of €8,0 million as of the reporting date. The put option can take place within a period of 90 days after October 1, 2021 for the remaining 20 percent of the shares. The purchase price of the 20 percent stake is nearly fix.

In terms of trade accounts receivable and trade accounts payable, fair values equal the carrying amounts due to the short maturities involved. In case of receivables from the parent company Kirk Beauty Two GmbH, the carrying amount is identical to the fair value as well, as the interest rate was negotiated in accordance with standard market conditions.

The IFRS 9-valuation of the receivables from the parent company Kirk Beauty Two GmbH as of December 31, 2020 resulted in a reversal of former write-down accounting for €75.5 million and is based on market parameters which are deducted from credit default swaps of a similar rating, without tax effects.

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

Since then, market interest rates have changed slightly. On the other hand, the credit risk has increased. Since the carrying amount already takes the credit risk until maturity into account, it substantially equals fair value still.

Fair values of liabilities to banks are based on expected cash flows of contractual agreements, discounted with a credit-risk-adjusted rate. Calculating the fair value of the syndicated bank loan, a particularity exists. In addition to the variable EURIBOR base rate, adjustments to the credit margin are also regularly made within legally defined boundaries. Credit margins are reassessed on a quarterly basis, regarding the development of certain corporate key figures. The reassessment is based on ratios that the syndicate would also include in the assessment of credit risk. As a result, interest expectations as of the reporting date are largely equivalent to fair credit interest assessment. As there were no interest accruals as of the reporting date, the fair value only deviates from the nominal value of the liability to an immaterial extent.

Fair values of other financial instruments are calculated using the present values of contractually agreed payments in consideration of country-specific interest yield curves.

Equity participations are measured at fair value. No sale of these equity participations is planned as of the reporting date.

Borrowing liabilities

As of December 31, 2020, and as of September 30, 2020 the borrowings comprise Senior Notes and bank liabilities, including drawn Revolving Credit Facilities and other borrowings as follows:

	12/31/2020		09/30/2020	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	300.0	306.1	300.0	301.0
Senior Notes	335.0	344.2	335.0	336.5
Term Loan B Facility	1,670.0	1,670.2	1,670.0	1,670.0
Revolving Credit facility (RCF)	135.3	136.5	165.5	166.1
Other borrowings	2.1	2.1	2.0	2.0
Total	<u>2,442.4</u>	<u>2,459.1</u>	<u>2,472.4</u>	<u>2,475.6</u>

Carrying amounts include accruals.

The nominal value of the Revolving Credit Facility amounted to €135.3 million at the reporting date, consisting of a Revolving Credit Facility Loan of €74.3 million and Ancillary Facilities of €61.0 million. Furthermore, the RCF was utilized by way of collateral in particular in the form of rental guarantees in the amount of €52.4 million (prior year as of September 30, 2020: €17.4 million).

Kirk Beauty One and its subsidiaries have to meet certain obligations and key financial covenants, in the event that 40.0 percent of the nominal value of €200 million of the Revolving Credit Facility is drawn (corresponds to €80 million). The utilization of the RCF through Ancillary Facilities as well as collateral in the form of rental guarantees is of no significance for the calculation of and compliance with financial covenants. The Revolving Credit Facility Loan was drawn at €74.3 million as of the reporting date, which corresponds to a utilization of less than 40 percent of the RCF.

Besides these financial covenants Kirk Beauty One also has to meet certain qualitative covenants. If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. As of December 31, 2020, the Company was in compliance with all covenants.

Hedging of financing liabilities

Interest rate caps (separate financial instruments) are in place to hedge against the risk of interest rate fluctuations over a variable nominal volume of up to €1,100.0 million and a term until August 31, 2021. As of the balance sheet date, the nominal volume amounts to €1,100.0 million. The interest rate caps reduce the risk of an inclining EURIBOR to a maximum of 1.0 percent. The cash flows will affect interest income during the period from October 1, 2015 through August 31, 2021. The Term Loan B Facility agreement contains an interest rate floor at 0.0 percent EURIBOR.

Notes to the Interim Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

	12/31/2020		09/30/2020	
	Reference amount EUR m	Fair values: Financial assets EUR m	Reference amount EUR m	Fair values: Financial assets EUR m
Interest rate caps	1,100.0	0.0	1,100.0	0.0
of which not part of a hedge accounting relationship	1,100.0	0.0	1,100.0	0.0

Share-based payments

Second management participation program

On December 30, 2020, the Company implemented a new share-based payment plan, by establishing a second management participation company as a shareholder of Kirk Beauty Two GmbH, the direct parent of Kirk Beauty One GmbH.

Key management personnel and other senior employees were granted a participation in that entity which allows them to hold an indirect interest in the Douglas-Group and, in the event of the current majority shareholder departing (through a sale or Initial Public Offering), participate in the anticipated value increase. The interest granted is composed of ordinary shares in Kirk Beauty Two GmbH representing 5,6% percent of those shares, and a portion of a shareholder loan, bearing interest at 2%, against Kirk Beauty Two GmbH.

The participation is linked to a service agreement of a member with the group and therefore is subject to good and bad leaver provisions until an IPO or trade sale occurs. Upon occurrence of a leaver event, the majority investor may exercise a call option and repurchase the participation at a specified price. Good leavers will receive a vested portion of the fair value of their participation, with 100% being received after five years.

Since the Company is not obliged to settle any obligation related to the participation in the second plan, this participation is classified as an equity-settled share-based payment award, which is considered an option. The grant date fair value is thus derived using an option-pricing model. The total amount of benefits granted was determined to be €18.6 million. The grant date fair value will be expensed over the variable vesting period till the expected exit event occurs.

For the second management plan, no personnel expenses were recognized in the first quarter of the financial year 2020/21.

Events after the interim reporting date

The following events requiring consideration occurred between the Consolidated Financial Statements reporting date and the date on which the Consolidated Financial Statements were approved for publication:

Additional incremental revolving facility of €75 million

Kirk Beauty One also has access to an incremental Revolving Facility in the amount of €75.0 million, which has not been utilized.

The coronavirus pandemic - still ongoing

The COVID-19 pandemic is still ongoing. From January to March 2021 many of our stores were closed with significant impact on our business, although a large part of the decline in store sales was offset by our very strong e-commerce business.

Changed customer behavior - optimization of our store network

The longstanding trend of shifting from store to e-commerce purchases was further reinforced by the COVID-19 pandemic. In response to this change in our customers' consumer behavior, around 500 of the currently around 2,400 stores across Europe will be closed. The majority of the permanent store closures will take place in the South-Western Europe region, which is particularly affected by the effects of the coronavirus

Notes to the Interim Consolidated Financial Statements—(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2020 through December 31, 2020

pandemic and in which there is a very dense, partially overlapping branch network due to previous acquisitions. The necessary downsizing of the branch network goes hand in hand with investments in flagship stores in top locations, product innovations and the consistent expansion of digital retail throughout Europe. As a result of the above-mentioned measures, we currently expect one-time expenses amounting to €94 million and sustainable positive effects in the low triple-digit million range.

Day of preparation and authorization for issue

This Interim Consolidated Financial Statements replaces the previously Interim Consolidated Financial Statements from February 25, 2021.

Management prepared and authorized for issue the Interim Consolidated Financial Statements on March 12, 2021.

Düsseldorf, March 12, 2021

Kirk Beauty One GmbH
Management

Tina Müller

Matthias Born

Vanessa Stütze

Dr. Michael F. Keppel

Unaudited interim condensed consolidated financial statements of Kirk Beauty One GmbH, Düsseldorf, as of and for the three months ended December 31, 2020 (with unaudited comparative financial statements for the three months ended December 31, 2019)¹

Consolidated Financial Statements as of September 30, 2020

**Kirk Beauty One GmbH,
Düsseldorf**

Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2019 through September 30, 2020

	Notes No.	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
1. Sales	5	3,232.7	3,453.5
2. Cost of raw materials, consumables and supplies and merchandise		(1,795.3)	(1,880.6)
3. Gross Profit		1,437.4	1,572.9
4. Other operating income	6	241.0	295.8
5. Personnel expenses	7	(581.0)	(642.7)
6. Other operating expenses	8	(641.0)	(943.2)
7. Result from impairments on financial assets		0.1	(0.4)
8. EBITDA (=reported EBITDA)		456.5	282.5
9. Amortization/depreciation/impairment	11-14	(724.1)	(136.6)
10. EBIT		(267.6)	145.9
11. Financial income	9	50.3	58.9
12. Financial expenses	9	(249.6)	(124.4)
13. Financial result	9	(199.3)	(65.5)
14. EBT		(466.9)	80.5
15. Income taxes	10	(50.2)	(63.3)
16. Profit (+) or Loss (-) of the period (Net Income)		(517.0)	17.2
<i>Attributable to owners of the parent</i>		<i>(517.0)</i>	<i>17.2</i>

Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty One GmbH for the period from October 1, 2019 through September 30, 2020

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Profit (+) or Loss (-) of the period (Net Income)		
Components that are or may be reclassified subsequently to the income statement		
Foreign currency translation differences arising from translating the financial statements of a foreign operation	(517.0)	17.2
	(2.4)	(1.4)
Components that will not be reclassified to profit or loss (after related tax effects)		
Actuarial gains/losses from pension provisions	0.9	(5.4)
Other comprehensive income	(1.5)	(6.8)
Total comprehensive income	(518.6)	10.4
<i>Attributable to owners of the parent</i>	<i>(518.6)</i>	<i>10.4</i>

Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of September 30, 2020

Assets

		Notes No.	09/30/2020 EUR m	09/30/2019 EUR m
A.	Non-current assets			
I.	Intangible assets	11	2,045.1	2,347.6
II.	Property, plant and equipment	12	278.0	292.8
III.	Right-of-use assets from leases	12	1,230.9	0.0
IV.	Financial assets	18	851.8	569.8
V.	Deferred tax assets	14	60.2	85.6
			<u>4,465.9</u>	<u>3,295.8</u>
B.	Current assets			
I.	Inventories	16	738.6	744.4
II.	Trade accounts receivable	17	37.5	45.7
III.	Tax receivables		23.2	30.6
IV.	Financial assets	18	164.8	155.4
V.	Other assets	19	34.8	30.1
VI.	Cash and cash equivalents	20	256.3	81.0
			<u>1,255.2</u>	<u>1,087.3</u>
Total			<u>5,721.1</u>	<u>4,383.0</u>

Equity and Liabilities

		Notes No.	09/30/2020 EUR m	09/30/2019 EUR m
A.	Equity	21		
I.	Capital stock*		0.0	0.0
II.	Additional paid-in capital		1,125.1	1,125.1
III.	Reserves		(457.8)	(266.0)
			<u>667.3</u>	<u>859.1</u>
B.	Non-current liabilities			
I.	Pension provisions	22	37.9	40.1
II.	Other non-current provisions	23	58.1	53.8
III.	Financial liabilities	25	3,371.5	2,313.5
IV.	Other liabilities	26	14.6	8.9
V.	Deferred tax liabilities	15	193.7	196.9
			<u>3,675.8</u>	<u>2,613.2</u>
C.	Current liabilities			
I.	Current provisions	23	123.5	114.6
II.	Trade accounts payable	24	503.5	487.0
III.	Tax liabilities		68.7	60.9
IV.	Financial liabilities	25	458.6	37.5
V.	Other liabilities	26	223.7	210.8
			<u>1,378.0</u>	<u>910.8</u>
Total			<u>5,721.1</u>	<u>4,383.0</u>

*) Capital stock amounts to €25.000,00.

Statement of Changes in Group Equity

of Kirk Beauty One GmbH for the period from October 1, 2019 through September 30, 2020

	Attributable to owners of the parent						
			Reserves				
	Capital stock*	Additional	Other	Reserves for	Differences		Non-
	EUR m	paid-in-capital	reserves	pension	from currency	Total	controlling
		EUR m	EUR m	provisions	translation	EUR m	interests
			EUR m	EUR m	EUR m		EUR m
10/01/2019	0.0	1,125.1	(260.2)	(2.9)	(2.9)	859.1	0.0
Error correction in current							
accounts	0.0	0.0	9.4	0.0	0.0	9.4	0.0
Adjustment on initial							
application of IFRS 16			(2.3)			(2.3)	
Adjusted balance							
01/10/2019	0.0	1,125.1	(253.2)	(2.9)	(2.9)	866.1	0.0
Currency translation					(2.4)	(2.4)	0.0
Effects from valuation of							
IAS 19				0.9		0.9	
Other comprehensive							
income	0.0	0.0	0.0	0.9	(2.4)	(1.5)	0.0
Profit (+) or Loss (-) of the							
period (Net Income)			(517.0)			(517.0)	0.0
Total comprehensive							
income	0.0	0.0	(517.0)	0.9	(2.4)	(518.6)	0.0
Loss transfer by Kirk Beauty							
Two GmbH			319.6			319.6	0.0
Share-based Payment			0.2			0.2	
Transactions with							
shareholders	0.0	0.0	319.8	0.0	0.0	319.8	0.0
09/30/2020	0.0	1,125.1	(450.4)	(2.0)	(5.3)	667.3	0.0

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

	Attributable to owners of the parent						
			Reserves				
	Capital stock* EUR m	Additional paid-in capital EUR m	Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Total EUR m	Non-controlling interests EUR m
10/01/2018	0.0	1,125.1	(229.0)	2.5	(1.6)	896.9	0.0
Adjustment on initial application of IFRS 9, after taxes			(51.3)			(51.3)	
Adjusted balance 01/10/2018	0.0	1,125.1	(280.3)	2.5	(1.6)	845.5	0.0
Currency translation					(1.4)	(1.4)	
Effects from valuation of IAS 19				(5.4)		(5.3)	
Profit (+) or Loss (-) of the period (Net Income)			17.2			17.2	0.0
Total comprehensive income	0.0	0.0	17.2	(5.4)	(1.3)	10.4	0.0
Loss transfer by Kirk Beauty Two GmbH			2.8			2.8	
Share-based Payment	—	—	0.2	—	—	0.2	—
Transactions with shareholders	0.0	0.0	3.0	0.0	0.0	3.0	0.0
09/30/2019	0.0	1,125.1	(260.2)	(2.9)	(2.9)	859.0	0.0

Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2019 through September 30, 2020

		Notes No.	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
1.	Profit (+) or Loss (-) of the period (Net Income)		(517.0)	17.2
2.	+ Income taxes	10	50.2	63.3
3.	+ Financial result	9	199.3	65.5
4.	+ Amortization/depreciation/impairment	11 - 14	724.1	136.6
5.	= EBITDA (=reported EBITDA)		456.5	282.5
6.	+/- Increase/decrease in provisions	22, 23	5.8	29.4
7.	+/- Other non-cash expense/income		(5.7)	(7.2)
8.	+/- Loss/profit on the disposal of non-current assets		0.1	(10.1)
9.	+/- Changes in net working capital without liabilities from investments in non-current assets		41.9	(39.7)
10.	+/- Changes in other assets/liabilities not classifiable to investing or financing activities		16.1	(5.3)
11.	-/+ Paid/reimbursed taxes		(21.1)	(51.4)
12.	= Net cash flow from operating activities		493.6	198.3
13.	+ Proceeds from the disposal of non-current assets		2.3	25.1
14.	- Investments in non-current assets		(107.8)	(128.0)
15.	- Payments for the acquisition of consolidated companies and other business units		0.0	(3.5)
16.	= Net cash flow from investing activities		(105.5)	(106.4)
17.	Free cash flow (total of 12. and 16.)		388.2	91.9
18.	- Payments for the repayment of financial liabilities		(258.4)	(5.2)
19.	+ Proceeds from borrowings		181.6	3.1
20.	- Interest paid		(135.6)	(111.6)
21.	+ Interest received		0.2	0.0
22.	= Net cash flow from financing activities		(212.2)	(113.6)
23.	Net change in cash and cash equivalents (total of 12., 16. and 22.)		176.0	(21.8)
24.	+/- Net change in cash and cash equivalents due to currency translation		(0.7)	(0.1)
25.	+ Cash and cash equivalents at the beginning of the reporting period		81.0	102.9
26.	= Cash and cash equivalents at the end of the reporting period	20	256.3	81.0

The Consolidated Statement of Cash Flows is explained in Note 27, Consolidated Statement of Cash Flows.

of Kirk Beauty One GmbH for the period from October 1, 2019 through September 30, 2020

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The segment reporting is explained in Note 28, Segment reporting.

Notes to the Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Principles

1. General principles

Kirk Beauty One GmbH (Group parent company) is a limited liability company registered at Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany and is registered in commercial register B of the district court of Düsseldorf under the registration number 79429.

The Consolidated Financial Statements of Kirk Beauty One GmbH and its subsidiaries (Kirk Beauty One Group, Douglas-Group, Group) as of September 30, 2020 (reporting date) comprise the reporting period beginning October 1, 2019 until September 30, 2020 (financial year, reporting period).

The Consolidated Financial Statements of Kirk Beauty One GmbH were prepared according to the International Financial Reporting Standards (IFRS). The Consolidated Financial Statements take into account all compulsory accounting standards and interpretations in the European Union adopted at that time.

This version of the Consolidated Financial Statements is in accordance with the provisions of Section 315e HGB (German Commercial Code). This forms the legal basis for accounting processes in Germany in accordance with international standards, together with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

2. Accounting Standards

The financial statements of the domestic and foreign subsidiaries included in the Consolidated Financial Statements were prepared uniformly according to the applicable IFRS classification, accounting and measurement principles.

These Consolidated Financial Statements are generally based on the principle of historical cost. The main exceptions to this are financial instruments recognized at fair value and pension obligations measured using the projected unit credit method.

The Consolidated Financial Statements were prepared in euros (EUR/€). All amounts are presented in million euros (EUR m), unless otherwise indicated.

The Consolidated Statement of Profit or Loss was generally prepared according to the nature of expense method. By modification of the reporting structure defined in IAS 1.102, the cost of raw materials, consumables and supplies and merchandise is reported directly after sales in order to determine "Gross profit from retail business", which is significant for retail operations.

The senior parent company is Kirk Beauty S.à r.l. with registered office in Luxembourg, whose business purpose is the holding of investments in companies. It prepares the Consolidated Financial Statements for the largest group of consolidated entities published in Luxembourg.

Due to the first-time application of the new lease standard IFRS 16 "Leases", comparability with prior-year figures is limited in some cases.

Assumption of going concern as the basis for accounting

The financial risks represent a going concern risk for the Douglas-Group. The following material uncertainties exist:

- the follow-up financing until maturity in 2022 and 2023 must succeed,
- the necessary and planned increase in earning power in the Group's transformation process must be achieved and thus solvency maintained, and
- the liquidity of the Group must not be further burdened by further delays in opening the branches.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The long-term financing of the Douglas-Group is provided by a senior syndicated loan agreement including a Revolving Credit Facility and Ancillary Facilities as well as corporate bonds issued. The risk of a lack of follow-up financing until maturity in 2022 or 2023 for the company's portfolio is generally and overall assessed as high, but the occurrence of this risk is considered to be rather low. Overall, the Douglas-Group has financial resources of €2,505.0 million at its disposal through the senior syndicated loan agreement including the Revolving Credit Facility and the corporate bonds issued. With the drawing of the Revolving Credit Facility and the Ancillary Facilities in the amount of €165.5 million in March 2020, the credit lines are almost exhausted. According to current planning, the Douglas-Group will not be in a position to repay these liabilities from its own funds when the non-current financial liabilities mature, so that refinancing will have to be successful.

During the term of the financing agreements, the Douglas-Group must, among other obligations, in particular service the cost of capital on time and maintain a certain ratio between adjusted EBITDA and debt (financial covenant). However, the obligation to comply with the ratio of Adjusted EBITDA to debt only arises when at least 40.0 percent or €80 million (threshold) of the Revolving Credit Facility has been drawn by Revolving Credit Facility Loans.

The ongoing servicing of the cost of capital generally assumes that the Douglas-Group's planning will not be significantly missed in terms of sales, earnings and cash flow development.

The COVID-19 pandemic has had and continues to have a substantial impact on the Douglas-Group's business. The original plans for sales and earnings for the financial year 2019/20 from October 2019 were significantly missed.

It is now clear that COVID-19 will also impact the Group's further development in financial year 2020/21. At present, a reduction in financing reserves is assumed for the Douglas Group, taking into account the current store closures and restrictions in some countries and the assumed openings from February. Each additional week of store closures further increases the liquidity risk.

The massive shift in business to digital retail and the compensation for the associated decline in store business, as well as the adjustment of the store network, are thus seen as a necessary step to increase profitability.

According to the liquidity planning there are only limited liquidity reserves beyond the reporting date of September 30, 2021 in order to maintain solvency at all times even in the event of further budget shortfalls or an extended period of store closures.

New or changed standards and interpretations

The new standards and interpretations or amendments to existing standards and interpretations presented below have been applied for the first time in these Consolidated Financial Statements:

The Group applied IFRS 16 (Leases) for the first time as of October 1, 2019. In addition, a number of other new standards had to be applied for the first time in financial year 2019/20, but these had no material impact on the Consolidated Financial Statements ending September 30, 2020.

IFRS 16 replaces the requirements of IAS 17 (Leases) and the related interpretations of IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC-15 (Operating Leases – Incentives) and SIC-27 (Evaluating the Substance of Transactions in the Legal Form of a Lease).

The scope of IFRS 16 generally includes the accounting treatment of leases. A contract is or contains a lease if it grants the right to control the use of a specific asset over a specified period of time in return for payment.

IFRS 16 abolishes the classification of leases into operating leases and finance leases for lessees required by IAS 17 and replaces it with a uniform accounting model under which lessees are generally required to recognize a right-of-use asset and a corresponding lease liability for leases.

The right-of-use asset is amortized on a straight-line basis over the term of the lease, and the vast majority of the rental expense previously presented under IAS 17 as other operating expenses is now recognized as depreciation of the right-of-use asset. Furthermore, interest expense results from the ongoing accrual of interest on the lease liability.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Due to the presentation of lease payments as financing activities in accordance with IFRS 16, the cash inflow from operating activities and correspondingly the cash outflow from financing activities increase.

In contrast, IFRS 16 largely retains the rules for lessor accounting in accordance with IAS 17.

With its approximately 2,200 leased retail stores, the Douglas Group as lessee has a considerable number of leases formerly classified as operating leases under IAS 17. The new IFRS 16 therefore has a significant impact in the financial year 2019/20, particularly on the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss, but also on the Consolidated Statement of Cash Flows.

The Group has applied IFRS 16 using the modified retrospective method. Comparative information for the prior financial year 2018/19 has therefore not been adjusted.

Previously, the Group determined at inception whether an arrangement contained or was a lease in accordance with IFRIC 4 (Determining whether an Arrangement contains a Lease). The Group now assesses whether an arrangement is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Group elected not to apply the transition relief to retain the assessment of which transactions are leases. That is, the Group applied IFRS 16 to all contracts that contain a lease.

As a lessee, the Group predominantly leases retail stores for the distribution of its perfumery products, office and warehouse space. The Group has previously classified leases as operating leases or finance leases based on its assessment of whether the lease has transferred substantially all the risks and rewards incidental to ownership of the underlying asset to the Group. In accordance with IFRS 16, the Group recognizes right-of-use assets and lease liabilities for these leases.

At the provision date or upon modification of a contract containing a lease component, the Group allocates the contractually agreed consideration on the basis of the relative individual prices. For real estate leases, this means that a separation of lease and non-lease components is made so that the payments related to the non-lease component are recognized in profit or loss.

On transition from IAS 17 to IFRS 16, the lease liabilities for these leases were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of October 1, 2019.

The basis for determining the incremental borrowing rate is the risk-free interest rate, which is determined using the swap curves of the respective currencies of the corresponding lease payments. Since country risks are already taken into account in these risk-free interest rates, no separate component is added. In order to reflect the default risk of Douglas and the parent company Kirk Beauty One GmbH, a credit premium is included. An additional liquidity premium is not required beyond the credit spread. In the next step, a collateral discount was deducted, which results from the fact that a lease contract provides for a special form of collateral by the lease object for the lessor. This collateral leads to a better credit rating for the lessee. The final component of the calculation of the incremental borrowing rate was the term of the lease.

The following shows the interest rate matrix at five-year intervals:

	Lease term			
	1 - 5 years	6 - 10 years	11 -15 years	16 - 20 years
EUR	0.31% - 0.97%	1.21% - 2.19%	2.34% - 2.87%	2.93% - 3.20%
BGN	0.26% - 1.15%	1.39% - 2.52%	2.74% - 3.31%	3.32% - 3.65%
HRK	0.76% - 1.47%	1.71% - 2.71%	2.89% - 3.51%	3.59% - 3.85%
CZK	2.87% - 3.44%	3.61% - 4.30%	4.37% - 4.60%	4.59% - 4.68%
HUF	0.95% - 1.84%	2.13% - 3.30%	3.49% - 4.15%	4.24% - 4.62%
PLN	2.40% - 3.12%	3.34% - 4.28%	4.41% - 4.84%	4.88% - 5.04%
RON	3.67% - 4.36%	4.58% - 5.57%	5.74% - 6.30%	6.35% - 6.58%
CHF	0.00% - 0.64%	0.89% - 1.91%	2.07% - 2.62%	2.69% - 2.96%

Rights-of-use assets are measured at an amount equal to the lease liability adjusted by the amount of the lease payments made in advance or deferred. The Group applies this approach to all leases.

Deferred payments resulting from leases between the Douglas-Group as lessee and external third parties were recognized directly in equity at the date of initial application, October 1, 2019.

Notes to the Consolidated Financial Statements–(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The Group has taken advantage of a number of other transition reliefs in applying IFRS 16 to leases formerly classified as operating leases under IAS 17. Specifically, the Group has:

- neither recognized right-of-use assets nor lease liabilities for leases where the underlying asset is of low value,
- The Group leases other assets (e.g. coffee machines, cell phones, etc.) with contractual terms of up to 12 months. These lease agreements are classified as current and the Group has decided to make use of the relief provided by IFRS 16.5 and to recognize neither right-of-use assets nor lease liabilities for these lease agreements.
- not performed an impairment test and instead assessed whether its leases were onerous immediately before the date of initial application in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets),
- disregarded the initial direct costs when measuring the right-of-use asset at the date of initial application, and
- retroactively determined the term of leases if a contract provides for renewal or termination options.

The Group is not required to make adjustments for leases in which it is the lessor, except for subleases, at the IFRS 16 transition date. The Group has subleased some of its leased commercial branches. Under IAS 17, head leases and subleases were classified as operating leases. Under the now mandatory application of IFRS 16, the Group has concluded that the subleases are essentially finance leases.

The reconciliation of lease liabilities as of September 30, 2019 (closing balance in accordance with IAS 17) to October 1, 2019 (opening balance in accordance with IFRS 16) is presented below:

	EUR m
Obligations from operating leases as of September 30, 2019	1,136.6
Other changes	17.6
Obligations from operating leases as of September 30, 2019 (adjusted)	1,119.0
Adjustments based on different assessments of extension and termination options	323.0
Adjustments due to future rental price changes	111.0
Gross value of lease liabilities as of October 1st, 2019	1,552.9
Discounting	91.8
Lease liabilities as of October 1st, 2019	1,461.1

The following overview provides a summary of newly implemented or revised IASB accounting standards and interpretations that were not yet applied by Kirk Beauty One GmbH in financial year 2019/20, as they were either not yet compulsory or not yet approved by the European Commission.

	New standards/Interpretations not yet applicable	Published by IASB	Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on the Kirk Group	
IFRS 4, IFRS 9, IFRS 7, IAS 39, IFRS 16	Insurance Contracts, Financial Instruments, Financial Instruments: Disclosures, Financial Instruments: Recognition and Measurement, Leases	Amendment: Interest Rate Benchmark Reform—Phase 2	08/27/2020	01/01/2021	Not yet	No impact
IAS 1	Presentation of Financial Statements	Amendment: Classification of Liabilities as current or non-current—Deferral of Effective Date	07/15/2020	01/01/2023	Not yet	No impact

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

	New standards/Interpretations not yet applicable		Published by IASB	Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on the Kirk Group
IFRS 4	Insurance Contracts	Amendment: Extension of the temporary Exemption from applying IFRS 9	06/25/2020	01/01/2021	00.01,1900	No impact
IFRS 16	Leases	Amendment: Covid-19-related Rent Concessions	05/28/2020	06/01/2020	00.01,1900	No impact
IFRS 3	Business Combinations	Amendment: Reference to the Conceptual Framework	05/14/2020	01/01/2022	Not yet	No impact
IAS 16	Property, plant and equipment	Amendment: Proceeds before intended Use	05/14/2020	01/01/2022	Not yet	No impact
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Amendment: Onerous Contracts--Cost of Fulfilling a Contract	05/14/2020	01/01/2022	Not yet	No impact
Improvement Project 2018-2020	Annual Improvements to IFRSs 2018-2020 Cycle	Improvement of existing Standards	05/14/2020	01/01/2022	Not yet	No impact
IAS 1	Presentation of Financial Statements	Amendment: Classification of Liabilities as current or non-current	01/23/2020	01/01/2022	Not yet	No impact
IFRS 9, IAS 39, IFRS 7	Financial Instruments, Financial Instruments: Recognition and Measurement, Financial Instruments: Disclosures	Amendment: Interest Rate Benchmark Reform	26.09.2019	01.01.2020	01/15/2020	No impact
IAS 1, IAS 8	Presentation of Financial Statements, Accounting Policies, Changes in Accounting Estimates and Errors	Amendment: Definition of material	31.10.2018	01.01.2020	11/29/2019	No impact
IFRS 3	Business Combinations	Amendment: Definition of a Business	22.10.2018	01.01.2020	04/21/2020	No impact
Conceptual framework		Amendment: revised Definitions of an Asset and a Liability as well as new Guidance on Measurement and Derecognition, Presentation and Disclosure	29.03.2018	01.01.2020	11/29/2019	No impact
IFRS 17	Insurance Contracts		18.05.2017	01/01/2023	Not yet	No impact
IFRS 10, IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures	Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11.09.2014	Deferred	Not yet	No material impact

Each standard will be adopted for the first time at the point at which adoption will be compulsory for the company.

3. Consolidation principles

Group of consolidated companies

All German and foreign companies over which Kirk Beauty One GmbH has direct or indirect control are fully consolidated in the Consolidated Financial Statements. Control exists when Kirk Beauty One GmbH

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

obtains power, when Kirk Beauty One is exposed to variable returns from its investments with the investee and when it is able to influence these returns. These companies are fully consolidated when the Group obtains control and deconsolidated when control ceases.

	Germany 22	Other countries 37	Total 59
10/01/2019			
Companies consolidated for the first time	1	0	1
Deconsolidated companies	0	1	1
Merged companies	0	3	3
09/30/2020	23	33	56

Two companies in which the Group does not hold a majority stake, but on which the Group does have a significant influence, were not recognized using the at-equity method. These companies solely provide intercompany services for the Douglas-Group and are of minor importance to the net assets, financial position and results of operations of the Group due to their extremely low business volumes. In addition, some of these companies have different reporting dates and do not prepare interim financial statements. Because of this, no financial information regarding these companies is available as of the reporting date and the fair values cannot be reliably determined. The carrying amount of these investments recognized under financial assets amounts to €38 thousand in total.

The list of shareholdings is shown under Note 33, Other explanatory notes.

Acquisitions

Acquisition of Niche Beauty in the financial year 2018/19

With the aim of further expanding Douglas' position in the attractive luxury segment, a 51 percent interest in Niche-Beauty.COM GmbH, based in Hamburg, was acquired in July 2019. It was included in the Consolidated Financial Statements for the first time as of August 1, 2019. Niche Beauty is of minor significance for the net assets, financial position and results of operations of the Douglas Group in the 2019/20 financial year.

The purchase price allocation (PPA) of the acquisition of Niche-Beauty.COM GmbH, made in the prior financial year 2018/19, was completed in the financial year without any change compared to the prior year's financial statements.

Consolidation methods

Capital consolidation is conducted by offsetting acquisition costs against the Group's interest in the consolidated subsidiary's net assets at fair value on the acquisition date. Any positive differences are capitalized as goodwill and tested annually for impairment. Any negative differences are recognized in profit or loss. Any identifiable net assets including hidden reserves and liabilities due to minority shareholders are carried as non-controlling interests.

Receivables from and corresponding payables to consolidated companies are eliminated against each other. Interim profits from delivery of goods and rendering of services within the Group are eliminated in the Consolidated Financial Statements to the extent that these do not relate to sales realized with third parties. Sales and other income from intercompany delivery of goods and rendering of services are offset against corresponding expenses.

Currency translation

These Consolidated Financial Statements are presented in euros (Group currency), the functional currency of the Group parent company. The annual financial statements of foreign subsidiaries whose functional currency is not the same as the Group currency are translated into euros according to the functional currency concept. The functional currency of the subsidiaries is the currency of the main economic area in which the subsidiary operates. This is generally the respective national currency.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The assets and liabilities are translated using the exchange rate on the reporting date; income and expenses are generally translated at the exchange rate on the day of the transaction, approximated by the Group's average exchange rate for the reporting period. The resulting currency translation differences are recognized directly in equity under other comprehensive income and within reserves in equity.

The following exchange rates were used for currency translation for the annual financial statements of foreign subsidiaries denominated in foreign currencies.

		Average exchange rate 10/01/2019- 09/30/2020 EUR	Closing rate 09/30/2020 EUR	Average exchange rate 10/01/2018- 09/30/2019 EUR	Closing rate 09/30/2019 EUR
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.93035	0.92558	0.89074	0.92191
Czech Koruna	CZK	0.03819	0.03672	0.03885	0.03874
Croatian Kuna	HRK	0.13318	0.13234	0.13490	0.13493
Hungarian Forint	HUF	0.00291	0.00274	0.00310	0.00299
Polish Zloty	PLN	0.22787	0.21996	0.23252	0.22840
Romanian Lei	RON	0.20782	0.20523	0.21191	0.21054
Turkish Lira	TRY	0.13704	0.10990	0.15813	0.16263
U.S. Dollar	USD	0.89294	0.85412	0.88646	0.91836

Foreign currency transactions are recognized in the functional currency as translated at the applicable exchange rate at the time of the transaction. Monetary assets and liabilities are translated at the exchange rate on the reporting date. All differences resulting from currency translation are recognized in profit or loss in the Consolidated Statement of Profit or Loss.

4. Accounting and valuation principles

Intangible assets

Goodwill arising from capital consolidation, which represents the excess of acquisition cost over the fair value of identifiable net assets acquired, is recognized according to the requirements of IFRS 3 and tested for impairment annually or upon occurrence of a triggering event.

For the purposes of impairment testing, goodwill is allocated to the group of cash-generating units (CGU) that is expected to profit from synergies arising from the acquisition. A cash-generating unit (CGU) is defined as an individual retail store or an online shop. The ceiling for goodwill allocation is generally determined by the operating segment and hence the respective stand-alone country in which Douglas operates.

If, as part of this impairment test, the company determines that the recoverable amount of the group of CGUs is less than its carrying amount, associated goodwill is written down and recognized in profit or loss. An impairment loss in respect of goodwill is not reversed even if the reasons for the impairment cease to exist in subsequent periods.

Other intangible assets are carried at (amortized) cost. There are no qualifying assets within the meaning of IAS 23 within the Douglas-Group, so that borrowing costs are not included when calculating acquisition costs. Intangible assets with definite useful lives are subject to straight-line amortization over their useful lives and are depreciated on a "pro rata temporis"-basis in the year of purchase.

Intangible assets with indefinite useful lives are not amortized. These assets are reviewed for impairment at least once a year and if there are indications of impairment. If the recoverable amount is below the carrying amount, the asset is written down to its fair value.

Intangible assets with an indefinite useful life are the trademarks Douglas and Nocibé and leasehold rights in France.

Intangible assets that are subject to amortization are only subject to an impairment test if there are triggering events indicating impairment.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Reviews must be carried out in subsequent years to see if indications of impairment exist to suggest that an impairment made in the prior years no longer exists or has been reduced. If this is the case, the impairment is reversed up to the recoverable amount, but to a maximum of the amortized carrying amount.

The useful lives underpinning the straight-line amortization for intangible assets are determined on the basis of the **estimated useful lives** for each asset class and are as follows.

<u>Class of non-current assets</u>	<u>Years</u>
Software	3-5
Leasehold rights that do not have indefinite useful lives	2-15
Customer bases	5-10

The useful life applied to brands with definite useful lives is 15 years.

Property, plant and equipment

Items of property, plant and equipment are carried at (amortized) cost. There are no qualifying assets within the meaning of IAS 23 within the Douglas-Group, so that borrowing costs are not included when calculating acquisition costs. Items of property, plant and equipment are subject to straight-line depreciation over their (expected) useful lives and are depreciated on a "pro rata temporis"-basis in the year of purchase.

An impairment test is conducted for the corresponding asset if indications of impairment exist. Tangible assets are derecognized when removed or further economic benefits are no longer expected from that asset's use. The gain or loss from the disposal of the asset arises from the difference between its net realizable value and carrying amount.

The useful lives underpinning the straight-line depreciation for property, plant and equipment are determined on the basis of the **estimated useful lives** for each asset class and are as follows.

<u>Class of non-current assets</u>	<u>Years</u>
Buildings	10-50
Store fittings, office and operating equipment	3-10

Leases

Right-of-use assets arising from leases are presented separately in the Consolidated Statement of Financial Position and broken down by class of asset in Note 13.

Lease liabilities are reported under non-current or current financial liabilities and explained in more detail under Note 25, Financial liabilities, and Note 33, Other explanatory notes / Leases.

As a rule, the Douglas-Group acts as lessee, in particular of real estate, and sometimes, in the context of subleases, also as lessor.

The Douglas-Group predominantly leases retail stores—ca. 2,200 as of September 30, 2020—for the sale of its perfumery products. The term of the lease agreements is typically between five and ten years. To ensure the greatest possible flexibility, the majority of the leases contain options, exercisable once or several times, to extend the leases for a certain number of years after this period (in many cases for a further five years). Due to its core activities in stationary retailing, the Group generally operates its retail stores on a long-term basis. Expiring real estate leases are regularly replaced by new, similar real estate leases. The Group estimates that the potential future lease payments will therefore generally develop steadily in line with general market trends in real estate rental prices, irrespective of any unexercised term options of the existing individual agreements.

The leases can generally be terminated unilaterally by the Douglas Group, although in some cases a contractual penalty may apply in the event of premature termination by the lessee. In some cases, there are also bilateral termination options. The majority of the lease agreements provide for annual rent adjustments based on changes in local price indices.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

In principle, there are only a few cases in which Kirk Beauty One GmbH acts as lessor. Essentially, the Group acts as lessor in those agreements in which a leased property is sublet to a third party (sublease). The majority of these leases are classified as finance leases. Leases in which Kirk Beauty One GmbH acts as lessor and the lease is classified as an operating lease are the absolute exception and of minor significance.

Contracts for leased retail stores may give rise to restoration obligations for leasehold improvements, the discounted value of which is recognized as a provision. The discounted value of the obligation is capitalized as part of the acquisition cost of the right-of-use asset from leases and amortized over the expected useful life.

IFRS 16 has been applied for the first time in the financial year 2019/20. Further explanations can be found in Note 2, Accounting Standards, in the section "New and amended standards and interpretations," under Note 13, Right-of-use assets, under Note 25, Financial liabilities, and Note 33, Other explanatory notes / Leases.

Financial assets

Except for current trade accounts receivable and derivatives, all financial instruments are recognized on the settlement date. Trade accounts receivable are recognized at the date on which they arise. Derivatives that are allocated to the "measured at fair value through profit or loss" category are recognized on the trade date.

All financial instruments must be measured at fair value upon initial recognition. If financial instruments are not subsequently measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are recognized additionally. Current trade accounts receivable are initially measured at the transaction price.

Financial assets are measured at amortized cost if they are held within a business model solely for the purpose of collecting the contractual cash flows (business model "hold") and the contractual terms only result in interest and principal payments on the outstanding principal amount at specified points in time.

Debt instruments are measured at fair value through other comprehensive income if they are held as part of a business model to collect the contractual cash flows and to sell the financial assets (business model "hold and sell") and the contractual terms only result in interest and principal payments on the outstanding principal amount at specified points in time.

On initial recognition of an equity investment (e.g. an equity participation) that is not held for trading purposes, the Group may irrevocably elect to recognize consequential changes in fair value through other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets are derecognized either upon settlement or when all main opportunities and risks are transferred.

Financial assets denominated in a foreign currency are translated to the functional currency of the acquiring Group company at the date of acquisition. An adjustment to the respective closing rate is made on each reporting date and recognized in profit or loss. Interest income and expense relating to financial assets are matched to the period in the financial result.

Financial liabilities are derecognized when the contractual obligations have been fulfilled, cancelled or expired.

Fair Value

The input factors used to determine fair value are divided into three hierarchy levels (Level 1, Level 2 and Level 3). Fair value is the price at which an asset would be sold or a liability transferred in an orderly transaction on the principal market or, if none exists, in the most advantageous market to which the Group has access on the measurement date. The fair value of a liability reflects the risk of non-performance. Fair value

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

measurements based on Level 1 input factors are price quotations in active markets that can be determined for the asset being measured, such as quoted prices. Fair value measurements based on factors whose measurement can be derived directly or indirectly from observable market data fall under Level 2. The valuation technique used incorporates all factors that market participants would consider in determining the price of such a transaction. The valuation on Level 3 is based on pricing models which are based on input factors that are not observable in the market.

Kirk Beauty One Group only measures interest rate caps and options held by non-controlling interests at fair value.² The fair value measurement of interest rate caps falls under the second hierarchy level (level 2), as the valuation is based on observable market interest rates.

Kirk Beauty One Group measures liabilities from contingent purchase price payments at fair value.³ The input factors on which the valuation is based are assigned to level 2 or level 3 of the valuation hierarchy.

Amortized cost

Amortized cost is determined on acquisition using the effective interest method, less any impairment, and taking into account discounts and premiums, including directly attributable transaction costs and fees that form an integral part of the effective interest rate.

For current assets and liabilities, the carrying amount is regarded as an appropriate approximation of fair value due to the short period between their recognition and maturity.

Subsequent measurement and gains and losses

Net gains and losses, including interest and dividend income from financial instruments measured at fair value through profit or loss, are recognized in profit or loss.

Financial instruments measured at amortized cost are measured using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, exchange rate differences and impairments are recognized in profit or loss. Gains or losses from derecognition are also recognized in profit or loss.

Impairment of financial assets

The Group recognizes valuation allowances for expected credit losses on financial assets that are not measured at fair value through profit or loss. For these financial assets—with exception of trade accounts receivable, which are subject to a simplified approach—initial recognition in level 1 of the “expected credit loss model” involves a determination of the expected credit loss from a default event in the twelve months following the financial statement date or a shorter period, if the expected term is less than twelve months at the financial statement date. If there is a significant increase in credit risk, it is transferred to level 2 of the model. For these financial instruments and for trade accounts receivable, credit losses over the total term to maturity are determined on level 2 of the general model. If there is objective evidence of impairment, the financial assets are assigned to level 3 of the model. The expected credit losses are determined on an individual item basis depending on various factors, e.g. past due, counterparties and country risks.

Cash and cash equivalents measured at amortized cost are subject to the general model of expected credit losses. As the counterparties are exclusively counterparties with at least an investment grade rating (BBB+ or higher), a low credit risk is assumed for these financial instruments.

If the requirements for a low credit risk are not met, an assessment of the change in credit risk is required. In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, Kirk Beauty One GmbH takes into account appropriate information that is relevant and available without undue expense of time and money. For other financial assets carried at amortized cost, the credit risk is continuously monitored on the basis of bond quotes and ratings if these are available in liquid form. Furthermore, a significantly increased credit risk is assumed when a financial asset is more than 30 days overdue.

² Cf. No. 26, Fair value of financial instruments

³ Cf. No. 26, Fair value of financial instruments

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

There is objective evidence of impairment if Kirk Beauty One GmbH anticipates adverse effects on expected cash flows. These include, for example, significant financial difficulties on the part of the issuer or debtor, indications of insolvency or other restructuring proceedings as well as deterioration in market conditions. In this sense, financial assets are deemed to have defaulted if they are more than 90 days overdue. The gross carrying amount of a financial asset is written down if a reasonable estimate is that the financial asset will not be recoverable in full or in part.

12-months credit losses are the portion of expected credit losses resulting from default events that are possible within twelve months of the reporting date (or a shorter period if the expected maturity is less than twelve months).

Expenses or income from impairment losses or reversals of impairment losses for expected credit losses on financial assets are reported under the line item "Result from impairments on financial assets" in the Consolidated Statement of Profit or Loss. Impairment losses for financial assets in the general approach are insignificant.

Derivative financial instruments

Derivative financial instruments are in place to reduce cash flow fluctuations. Derivative financial instruments are neither used nor issued for speculative purposes.

Derivative financial instruments are recognized at fair value both upon initial and subsequent measurement. This value can be positive or negative; if it is positive, an asset is recognized; if it is negative, a liability is recognized. The fair value of derivative financial instruments corresponds to the amount the Group company either would have to pay or would receive upon termination of the financial instrument on the reporting date. The calculation of the fair value takes into account the interest rates and forward rates in effect as of the financial statement date.

Gains and losses from fair value measurement, to the extent that they relate to designated derivative financial instruments qualifying as hedged items, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting.

Derivative financial instruments that do not qualify as hedged items to hedge against cash flow risks are measured at fair value and recognized in profit or loss. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged cash flows from the underlying transaction are recognized in the Consolidated Statement of Profit or Loss.

With regard to currency rate risks non-derivative financial liabilities as part of a net investment hedge are implemented to cover currency rate risks arising from net investments in non-Group foreign currencies. Accounting for net investment hedges generally follows the rules for cash flow hedges.

No business transactions to be recognized under the rules for hedge accounting existed either as of the financial statement date or as of the prior-year financial statement date.

Trade accounts receivable and other receivables

Trade accounts receivable are recognized at the transaction price and other receivables are recognized at fair value at the time of revenue recognition. For subsequent measurement, please refer to the preceding explanations in the section "Financial assets" and Note 17, Trade accounts receivable.

Cash and cash equivalents

Cash and cash equivalents, which include money accounts and short-term money deposits with banks, are measured at amortized cost, based on the business model „hold“ and the fulfilment of the cash flow criterion, and have residual terms of a maximum of three months at the point of acquisition.

Inventories

Merchandise is recognized at the lower of cost and net realizable value. Acquisition costs are identified either by using the average cost method or, in some minor countries, by using the retail method

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

based on the selling price using reasonable valuation allowance deductions. Interest on borrowings is not included in the acquisition costs, as inventories, most of which constitute acquired trading merchandise, are not qualifying assets as defined by IAS 23. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to sell the inventory. Ageing as well as fashion and other risks were considered, to the extent needed, as part of measurement at the net realizable value. Raw materials, consumables and supplies are recognized at their acquisition costs.

Income taxes

Tax expenses comprise both current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except for those associated with a business combination or items recognized directly in equity or in other comprehensive income.

Current taxes

Current taxes constitute anticipated tax liabilities or assets on the taxable income or loss generated in the reporting period, calculated on the basis of tax rates applying on the reporting date or shortly afterwards, as well as adjustments to tax liabilities or assets in previous periods. The amount of the anticipated tax liabilities or assets represents a best estimate in consideration of uncertain tax situations, if applicable. Current tax liabilities also include all tax liabilities resulting from the declaration of dividends.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts in the Consolidated Financial Statements and the tax base to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations which are expected to be in force when the differences are reversed. Deferred tax assets are only recognized to the extent that there is taxable income expected on the date on which the difference is reversed.

If the future tax advantage from loss carryforwards can be utilized with sufficient certainty in future periods, deferred tax assets are recognized. Deferred tax assets are offset against deferred tax liabilities if such liabilities exist against the same tax authority.

Provisions

Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and if the future cash outflow to fulfill this commitment can be estimated reliably. The carrying amount of the provision is based—for individual risks—on the best estimate of the settlement considering all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are recognized at their present value as of the reporting date. The maturity of long-term human resources commitments is based on the date the employee leaves the company or on the timing of forecasted cash outflows. The maturity of long-term real estate commitments is based on the term of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restoration obligations are recognized if contractual agreements and experience show that there is a probability of at least 50 percent that claims will be made against Kirk Beauty One Group from this obligation. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized as of the reporting date. This is the case if a detailed restructuring plan has been formally adopted and its key elements communicated vis-à-vis those affected or if the implementation of the plan has already begun. Restructuring provisions only comprise obligatory restructuring expenses.

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations of provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the reporting date are taken into account as well as the increases in salaries and pensions to be expected in future. For funded pension plans, the same interest rate chosen to determine interest expenses resulting from the measurement of obligations is also to be used to calculate interest income from plan assets. If changes to these calculation assumptions result in differences between the identified pension obligations and the pension obligations determined as of the financial statement date, actuarial gains or losses arise. These actuarial gains and losses and other valuation changes are recognized directly in other comprehensive income and within reserves in equity.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Plan assets designated at fair value and liabilities from pension plans are presented in a net amount. Plan assets are maintained in qualified policies that are pledged to the employees. The interest portion included in pension expense is presented as interest expense within the financial result. Obligations similar to pension provisions such as part-time work schemes and termination benefits are also disclosed according to the requirements of IAS 19.

Financial liabilities

With the exception of contingent purchase price obligations resulting from business combinations, financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs attributable to the acquisition are included in the recognition of financial liabilities. If there is a difference between the amount paid and the amount to be paid upon final maturity, this difference is amortized over the term according to the effective interest rate method. Financial liabilities are derecognized when the obligation is extinguished or expired (e.g. limitation of time). A financial liability is also derecognized if there has been a material change in the contractual terms of an existing financial liability or part thereof. All trade accounts payable have a maturity of less than one year and are non-interest bearing. Kirk Beauty One Group recognizes liabilities at amortized costs comprising liabilities to banks, liabilities from Senior Notes and trade accounts payable. The election to initially recognize financial liabilities at fair value through profit or loss was not applied by the Kirk Beauty One Group.

Contract liabilities

A basic impact of IFRS 15 concerns options regularly granted as part of customer loyalty programs, to acquire additional goods or services at a discounted price in the future. With the initial sale, part of the transaction price must be allocated to the resulting option. Sales will be accrued as contract liability under other financial liabilities. Revenue recognition for the option occurs at the time the right is redeemed or expired.

Participants in the Douglas-Group's customer loyalty programs receive bonus points from purchases made, which they can exchange for discount vouchers for subsequent purchases when certain thresholds are reached. The bonus points represent independently identifiable goods or services within the meaning of IFRS 15 and are therefore to be recognized as a separate performance obligation. Upon purchase, the transaction price is allocated to the independent performance obligations on the basis of the relative individual sale prices. For the Douglas-Group, the transaction price corresponds to the sales price of the goods and services purchased by the customer. In the absence of observable individual sales prices for the bonus points, these are estimated on the basis of the price discount, taking into account probabilities of redemption. A contract liability is recognized under other financial liabilities in the amount of the performance obligation attributable to the bonus points granted. The contractual liability is released when the bonus points are redeemed or expire.

Government Grants

Government grants are recognized when there is reasonable assurance that the grants will be received and the entity will comply with the conditions attaching to them. Government grants related to specific expenses are recognized as a deduction from those expenses. The grants are recognized in the period in which the expenses that are to be compensated by the government grants are recognized.

Revenue recognition

Sales are recognized on delivery of goods to the customer or after the performance of a service is complete. Obligations from customer loyalty programs, such as bonus points, are measured at fair value and offset directly against sales. Sales arising therefrom are first recognized upon redemption of the bonus points. Deferred sales are reversed or utilized in line with the way customers redeem their gift vouchers and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of judgements

Douglas makes discretionary decisions when determining the term of leases, taking into account renewal and / or termination options. The assessment of whether these options are exercised with sufficient certainty affects the term and consequently also the measurement of the lease liability and the right of use of a lease. The classification of lessor-related leases as operating or finance leases is also subject to discretionary decisions.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Impairment losses under IFRS 9 are based on judgments, particularly with regard to the determination of the probability of occurrence of scenarios and the credit risk (loss rate).

Assumptions and estimates

Assumptions and estimates have been made in the preparation of the Consolidated Financial Statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lives⁴, valuing provisions and pension provisions⁵, assessing the impairment of goodwill⁶, measuring provisions⁷ and uncertain tax positions and measuring instruments which are issued as part of share-based payment programs⁸ as well as estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the fair values and acquisition costs associated with business combinations. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known. In particular, the assessment of the recoverability of goodwill and the estimation of the realizability of future tax relief were significantly affected by the COVID-19 pandemic.

The discount rate used to measure provisions for pensions and similar obligations of the German Group companies was estimated for the first time as of September 30, 2020 on the basis of a modified selection of high-quality corporate bonds. This more precise selection leads to an increase in the discount rate of 0.35 percentage points compared to the previous system, corresponding to a reduction in the defined benefit obligation of approximately €1.5 million.

Results of the financial year 2019/20–Notes on the Consolidated Statement of Profit or Loss

5. Sales

	01.10.2019- 30.09.2020 EUR m	01.10.2018- 30.09.2019 EUR m
Store sales	2,392.4	2,839.7
E-commerce sales	821.5	584.1
Other	18.8	29.6
Total	3,232.7	3,453.5

For the presentation of sales by region, see the segment reporting.

6. Other operating income

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Income services rendered to third parties	169.3	206.7
Income from leasing and sub-leasing	4.8	18.1
Income from disposal of assets	0.0	10.4
Income from customer cards	13.1	12.1
Income from reversal of provisions	10.3	12.9
Income from commissions	1.5	3.5
Income from the derecognition of liabilities	2.7	2.7
Income from insurance claims	1.8	2.3
Other income	37.6	27.1
Total	241.0	295.8

⁴ Cf. No. 11, Intangible assets and property, plant and equipment

⁵ Cf. No. 20, Provisions and No. 19, Pension provisions

⁶ Cf. No. 11, Intangible assets and property, plant and equipment

⁷ Cf. No. 20, Provisions

⁸ Cf. No. 29, Other explanatory notes

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

7. Personnel expenses

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Wages and salaries	472.2	521.8
Social security, pensions and other benefits costs	108.8	120.9
Total	<u>581.0</u>	<u>642.7</u>

8. Other operating expenses

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Marketing and advertising costs	197.8	201.8
Goods handling costs	129.6	99.7
Other services	116.3	124.6
Rent and utilities	59.6	358.2
IT costs	29.2	29.1
Expenses from sub-leasing	0.0	10.3
Repair costs	10.4	11.6
Fees and contributions	12.8	13.9
Travel and vehicle expenses	5.5	9.4
Equipment and consumables	12.6	11.3
Office costs and postage	9.2	10.0
Credit card fees	14.3	13.6
Other expenses	44.0	49.8
Total	<u>641.0</u>	<u>943.2</u>

The significant decrease in "rents and energy costs" compared to the prior year results from the first-time application of IFRS 16 in the financial year 2019/20.

9. Financial result

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Interest from loans and receivables	48.3	45.7
Income from other investments	0.2	0.7
Interest from compounding lease receivables	0.3	0.0
Income from discounting other provisions	0.1	0.0
Income from foreign exchange differences	1.5	0.6
Result from impairments on financial assets	0.0	11.9
Total financial income	<u>50.3</u>	<u>58.9</u>
Expense for financial liabilities at amortized cost	(119.8)	(119.6)
Interest expense from compounding lease liabilities	(24.8)	0.0
Interest expense from compounding other provisions	(0.1)	(0.2)
Interest expense from compounding pension provisions	(0.3)	(0.6)
Expense from non-controlling options	(1.3)	(1.3)
Expense from foreign exchange differences	(6.8)	(1.3)
Expense for financial assets / liabilities at fair value	(4.8)	(1.4)
Result from impairments on financial assets	(91.8)	0.0
Total financial expense	<u>(249.6)</u>	<u>(124.4)</u>
Financial result	<u>(199.3)</u>	<u>(65.5)</u>

The financial expense for the non-controlling options relates to the results of third-party shareholders, whose interests are reported as payables, as these either have an option right or involve German partnerships, as well as the effect of revaluation as of the reporting date.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Net result by valuation category

The following table shows the net result by valuation category for the period ended September 30, 2020.

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Total EUR m
Measured at amortized cost			(93.4)		48.3		(45.1)
Financial liabilities measured at amortized cost	(0.3)					(120.4)	(120.7)
At Fair Value through profit or loss	(0.1)		(3.2)	0.2		(0.3)	(3.4)
Net profit by valuation category	(0.4)	0.0	(96.6)	0.2	48.3	(120.7)	(169.2)
Lease assets and liabilities					0.3	(24.8)	(24.5)
Assets and liabilities that are not financial instruments		(5.3)			0.1	(0.4)	(5.6)
Financial result	(0.4)	(5.3)	(96.6)	0.2	48.7	(145.9)	(199.3)

The following table shows the net result by valuation category for the period ended September 30, 2019.

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Total EUR m
Measured at amortized cost			11.9		45.6		57.5
Financial liabilities measured at amortized cost						(119.6)	(119.6)
At Fair Value through profit or loss	(1.7)			0.7		(1.0)	(2.0)
Net profit by valuation category	(1.7)	0.0	11.9	0.7	45.6	(120.6)	(64.1)
Assets and liabilities that are not financial instruments		(0.7)			0.1	(0.8)	(1.4)
Financial result	(1.7)	(0.7)	11.9	0.7	45.7	(121.4)	(65.5)

As in the prior year, impairment losses on trade accounts receivable classified to the category "measured at amortized cost" are reported under other operating expenses, unless they are determined using the expected credit loss model according to IFRS 9. These impairment losses are shown separately in the income statement. Fair value measurement of financial assets classified to the category "at fair value through profit or loss" leads to a financial expense of €0.1 million (prior year: €1.7 million) in the financial year.

10. Income taxes

	01/10/2019- 30/09/2020 EUR m	01/10/2018- 30/09/2019 EUR m
Current tax result	32.6	74.9
<i>thereof domestic (Germany)</i>	4.0	30.7
<i>thereof foreign entities</i>	28.6	44.2
Deferred taxes	17.6	(11.6)
<i>thereof from temporary differences</i>	26.8	(16.2)
<i>thereof from loss carryforwards</i>	(9.2)	4.6
Total	50.2	63.3

The actual tax result includes tax expenses for prior years amounting to €7.9 million (prior year: €27.2 million). These mainly result from findings of ongoing tax audits in France (in the prior year in France and in Germany).

Deferred tax expenses from temporary differences include expenses of €40.5 million (prior year: €0.0 million) resulting from additions to the valuation allowance or the non-recognition of deferred tax assets. The valuation allowances mainly relate to the German tax group.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The expected weighted tax rate (32 percent, consisting of 15.8 percent corporate income tax and 16.2 percent trade tax) is basically the same as the tax rate of the Group parent company. In France, a change in the tax rate from 34.4 percent to now 28.9 percent resulted in tax income of €1.0 million in the financial year 2019/20.

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Earnings before tax (EBT)	(466.9)	80.5
Expected tax rate	32.0%	32.0%
Expected tax expense (prior year: expected tax income)	(149.4)	25.7
Tax rate effects from domestic and cross border tax jurisdictions	(6.1)	(8.6)
Trade tax modifications (additions / reductions)	6.1	4.7
Non-period income tax expense/income	7.9	27.0
Non-deductible tax operating expenses	7.7	7.4
Unrecognized deferred tax assets due to operating losses	24.2	9.1
Utilization of unrecognized tax assets due to operating losses	0.0	(2.3)
Differences mainly resulting from non-consideration of impairments on goodwill ..	89.5	0.0
Change in permanent differences	29.4	0.0
Write-down of deferred tax assets	40.5	
Other	0.4	0.3
Current tax expense	50.2	63.3

The non-deductible tax operating expenses are mainly due to non-deductible interest in connection with the so-called interest barrier regulation in Germany.

Assets, Equity and Liabilities--Notes to the Consolidated Statement of Financial Position

11. Intangible assets

The following table shows the development of intangible assets for financial year 2019/20.

	Goodwill EUR m	Leasehold interests and similar rights and assets EUR m	Advance payments for intangible assets EUR m	Total EUR m
Acquisition costs				
10/01/2019	1,912.0	1,136.8	3.8	3,052.6
Currency translation adjustments		(0.1)		(0.1)
Additions		33.9	3.5	37.4
Disposals		(4.1)		(4.1)
Reclassifications		6.5	(2.5)	4.0
09/30/2020	1,912.0	1,173.0	4.8	3,089.8
Accumulated amortization/depreciation/ impairment				
10/01/2019	398.3	306.7	0.0	705.0
Currency translation adjustments		(0.1)		(0.1)
Amortization or Depreciation		53.2		53.2
Impairment	279.7	9.3		289.0
Disposals		(2.4)		(2.4)
09/30/2020	678.0	366.7	0.0	1,044.7
Net book values				
09/30/2020	1,234.0	806.3	4.8	2,045.1

Of the additions to leasehold interests and similar rights and assets, €1.5 million (prior year: €0.9 million) relate to internally generated intangible assets.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The following table shows the development of intangible assets for financial year 2018/19.

	Goodwill EUR m	Leasehold interests and similar rights and assets EUR m	Advance payments for intangible assets EUR m	Total EUR m
Acquisition costs				
10/01/2018	1,904.7	1,103.0	4.9	3,012.6
Currency translation adjustments		0.1		0.1
Increases/decreases resulting from business combinations	7.3	2.8		10.1
Additions		31.6	3.7	35.3
Disposals		(5.0)	(0.2)	(5.2)
Reclassifications		4.3	(4.6)	(0.3)
09/30/2019	<u>1,912.0</u>	<u>1,136.8</u>	<u>3.8</u>	<u>3,052.6</u>
Accumulated amortization/depreciation/ impairment				
10/01/2018	398.3	253.7	0.0	652.0
Currency translation adjustments		0.1		0.1
Amortization or Depreciation		51.1	0.2	51.3
Impairment		7.4		7.4
Disposals		(4.8)	(0.2)	(5.0)
Reclassifications		(0.8)		(0.8)
09/30/2019	<u>398.3</u>	<u>306.7</u>	<u>0.0</u>	<u>705.0</u>
Net book values				
09/30/2019	<u>1,513.7</u>	<u>830.1</u>	<u>3.8</u>	<u>2,347.6</u>

Prior year's addition to goodwill of €7.3 million relates in full to the acquisition of Niche Beauty.

12. Property, plant and equipment

The following table shows the development of property, plant and equipment for financial year 2019/20.

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2019	497.1	656.9	20.2	1,174.2
Currency translation adjustments	(1.6)	(2.5)	(0.1)	(4.2)
Additions	13.3	37.0	17.6	67.9
Disposals	(10.7)	(17.7)	(0.8)	(29.2)
Reclassifications	4.2	7.4	(15.6)	(4.0)
09/30/2020	<u>502.3</u>	<u>681.1</u>	<u>21.3</u>	<u>1,204.7</u>
Accumulated amortization/ depreciation/impairment				
10/01/2019	372.0	509.4	0.0	881.4
Error correction in current accounts	(13.8)			(13.8)
Currency translation adjustments	(1.0)	(1.8)		(2.8)
Amortization or Depreciation	24.7	46.3		71.0
Impairment	6.4	12.1	1.1	19.6
Disposals	(10.6)	(17.9)		(28.5)
09/30/2020	<u>377.7</u>	<u>548.1</u>	<u>0.9</u>	<u>926.7</u>
Net book values				
09/30/2020	<u>124.6</u>	<u>133.0</u>	<u>20.4</u>	<u>278.0</u>

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The error correction in current accounts results from the adjustment of the expected useful life of a building and has been corrected in equity.

Purchase commitments for approved capital expenditure in property, plant and equipment or intangible assets totaled €23.8 million as of the reporting date (prior year: €30.8 million).

The following table shows the development of property, plant and equipment for financial year 2018/19.

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2018	527.6	630.1	36.7	1,194.4
Currency translation adjustments	(0.1)	(0.6)		(0.7)
Additions	23.0	43.4	6.8	73.2
Disposals	(63.3)	(28.1)	(1.6)	(93.0)
Reclassifications	9.9	12.1	(21.7)	0.3
09/30/2019	<u>497.1</u>	<u>656.9</u>	<u>20.2</u>	<u>1,174.2</u>
Accumulated amortization/ depreciation/impairment				
10/01/2018	392.6	488.6	0.0	881.2
Currency translation adjustments	0.2	(0.3)		(0.1)
Amortization or Depreciation	26.2	43.8		70.0
Impairment	2.4	4.8	0.6	7.8
Disposals	(50.2)	(27.5)	(0.6)	(78.3)
Reclassifications	0.8			0.8
09/30/2019	<u>372.0</u>	<u>509.4</u>	<u>0.0</u>	<u>881.4</u>
Net book values				
09/30/2019	<u>125.1</u>	<u>147.5</u>	<u>20.2</u>	<u>292.8</u>

13. Right of Use Assets

The following table shows the development of rights of use under leases for financial year 2019/20.

	Right of use asset property EUR m	Right of use asset cars EUR m	Right of use asset other EUR m	Right of use asset advance payments EUR m	Total EUR m
Acquisition costs					
10/01/2019	1,422.4	3.1	0.0	0.0	1,425.5
Currency translation adjustments	(5.6)				(5.6)
Additions	144.8	0.8			145.6
Disposals	(44.5)				(44.5)
09/30/2020	<u>1,517.1</u>	<u>3.9</u>	<u>0.0</u>	<u>0.0</u>	<u>1,521.0</u>
Accumulated amortization/depreciation/ impairment					
10/01/2019	0.0	0.0	0.0	0.0	0.0
Currency translation adjustments	(1.0)				(1.0)
Amortization or Depreciation ...	279.8	1.5			281.3
Impairment	10.0				10.0
Disposals	(0.2)				(0.2)
09/30/2020	<u>288.6</u>	<u>1.5</u>	<u>0.0</u>	<u>0.0</u>	<u>290.1</u>
Net book values					
09/30/2020	<u>1,228.5</u>	<u>2.4</u>	<u>0.0</u>	<u>0.0</u>	<u>1,230.9</u>

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

14. Impairment of assets according to IAS 36

Impairment tests at store level, as cash-generating units (CGUs), lead to write-downs totaling €19.6 million (prior year: €7.8 million), of which €10.2 million (prior year: €4.3 million) were attributable to the segment Germany, €3.2 million (prior year: €2.1 million) to France, €5.0 million (prior year: €0.8 million) to South-Western Europe and €1.2 million (prior year: €0.6 million) to Eastern Europe. Triggering events for subjecting stores to impairment testing are, in particular, negative contribution margins as a result of a decline in customer frequency, also due to Corona, and planned store closures.

For impairment testing the carrying amount of the CGU or rather groups of CGUs is compared to its recoverable amount. The recoverable amount is calculated as being the value in use based on discounted future cash flows from internal forecasts. Planning assumptions include sales growth, gross profit/EBITDA forecasts, estimates of replacement investments in the store network, the ratio of personnel expenses to sales and other cost ratios relating to individual stores. The forecasts are based on the residual term of the respective lease agreements including any extension options. The forecast term is between one and fifteen years. Calculations are based on interest rates of between 5.5 percent and 9.0 percent (prior year: between 5.1 percent and 9.2 percent) before taxes.

The carrying amount of intangible assets with indefinite useful lives amounted to a total of €1,963.4 million (prior year: €2,253.9 million) as of the reporting date, of which €1,234.0 million (prior year: €1,513.7 million) is attributable to goodwill. A further €534.4 million is attributable to the Douglas brand, as in the prior year, and €172.7 million to the Nocibé brand, as in the prior year. As the brands are powered by ongoing brand maintenance measures, the Group considers their useful lives to be indefinite. The Douglas brand was allocated to the relevant operating segments for the purposes of impairment testing (thereof €247.8 million to Germany, €77.9 million to Italy, €50.1 million to the Netherlands and €41.8 million to Poland); the Nocibé brand was exclusively allocated to France. In addition, French location advantages associated with leasehold interests purchased from prior tenants were capitalized at €22.3 million (prior year: €33.1 million) in relation to the useful lives and irrespective of the terms of the lease contracts.

Goodwill, trademarks with indefinite useful lives and location advantages associated with leasehold interests with indefinite useful lives are subject to impairment testing once each year.

As is the case for impairment tests for tangible assets, the carrying amount of the CGU (or groups of CGUs) is compared to the recoverable amount of the CGU (or groups of CGUs).

With the exception of brands, the recoverable amount is defined in the Kirk Beauty One Group as the value in use based on discounted future cash flows from internal forecasts. Planning assumptions include sales growth, adjusted EBITDA expectations and estimated perpetual growth rate and cost of capital.

For the brands, the recoverable amount is the fair value (level 3) determined using a recognized valuation technique (license price analogy). The key assumptions used to determine the fair value of the brands are the change in sales revenue, the license rate and the cost of capital. A sales-related license rate was derived from the earnings contributions generated with the brand and a typified licensor share.

The following table shows the allocation of goodwill to reportable and operating segments.

	09/30/2020		09/30/2019	
	Reportable segment	Operating segment	Reportable segment	Operating segment
Germany	446.3	446.3	603.4	603.4
France	436.8	436.8	436.8	436.8
South-Western Europe	255.5		371.8	
The Netherlands		200.2		200.2
Austria		44.4		46.9
Italy		3.2		116.9
Other countries South-Western Europe		7.7		7.8
Eastern Europe	95.4		101.8	
Poland		62.5		62.5
Other countries Eastern Europe		32.9		39.3
	<u>1,234.1</u>	<u>1,234.1</u>	<u>1,513.8</u>	<u>1,513.8</u>

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The underlying forecasts used to determine the value in use are based on detailed forecast periods of three years, which corresponds to the companies' standardized forecasting system, and the perpetual annuity applying from this point.

Due to the Corona-related lower sales in the financial year 2019/20 and the planned expansion of the online sales share, we are assuming strong average annual sales growth for the France and Italy operating segments in the detailed planning phase, significantly growing sales in the Netherlands and strongly growing sales in Germany. In Poland, particularly strong annual sales growth is expected. In all the countries described here, we expect a slight increase in market share. In general, we expect that our market penetration on the one hand and the implementation of efficiency enhancement measures on the other will enable us to largely offset future increases in costs, so that we anticipate virtually unchanged adjusted EBITDA margins in Germany, the Netherlands and Italy, moderately growing adjusted EBITDA margins in Poland and moderately declining adjusted EBITDA margins in France. All other business segments not mentioned here only play a minor role regarding the amount of goodwill allocated to them.

The calculation of the perpetual annuity is based on a risk-adjusted growth rate of 1.0 percent.

The following interest rates were applied for discounting purposes.

	09/30/2020		09/30/2019	
	after tax in percent	before tax in percent	after tax in percent	before tax in percent
Germany	6.1%	8.8%	6.1%	8.3%
France	6.4%	8.9%	6.7%	9.4%
South-Western Europe				
The Netherlands	6.2%	8.2%	6.1%	7.8%
Austria	6.8%	9.1%	6.4%	8.1%
Italy	8.1%	10.6%	9.0%	11.6%
Other countries South-Western Europe	6.9% - 7.2%	9.1% - 9.2%	7.2% - 8.2%	9.1% - 10.0%
Eastern Europe				
Poland	8.2%	10.1%	7.3%	8.9%
Other countries Eastern Europe	7.2% - 9.7%	8.5% - 10.8%	7.1% - 9.8%	8.7% - 11.0%

Impairment testing of goodwill resulted in goodwill impairment losses in the amount of €279.7 million (prior year: €0.0 million) in the reporting period. In addition, the impairment test of intangible assets with indefinite useful lives (location advantages associated with lease agreements in operating segment France) resulted in an impairment loss in segment France of €9.3 million in the reporting period (prior year: €0.0 million).

The impairment losses relate to the reportable segment Germany in the amount of €157.1 million, the reportable segment South-Western Europe in the amount of €116.3 million and the reportable segment Eastern Europe in the amount of €6.4 million. In the reportable segment South-Western Europe, impairment losses relate to the operating segment Italy with a goodwill impairment loss of €113.7 million, the operating segment Austria with €2.5 million and Portugal with less than €0.1 million. In Eastern Europe, the operating segment Romania was affected by impairment losses on goodwill in the amount of €5.5 million, the operating segment Croatia accounted for €0.8 million and the Czech Republic for less than €0.1 million. The recoverable amount for the business segment Germany was €632.0 million, for Italy €134.0 million, for Austria €71.3 million, for Portugal €22.0 million, for Romania €11.8 million, for Croatia €12.5 million and for the Czech Republic €10.1 million.

The key planning assumptions for operating segment Germany in estimating value in use were revenue growth over the next three financial years of 8.6 percent on average, with adjusted EBITDA margins in the range of 7.2 percent to 7.6 percent. Due to the impairment loss recognized for Germany, the recoverable amount was equal to the carrying amount. Consequently, any unfavorable development of a material assumption would lead to a further impairment loss.

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15. Deferred taxes

Deferred taxes are calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual financial statement items as follows.

	09/30/2020		09/30/2019	
	Assets EUR m	Liabilities EUR m	Assets EUR m	Liabilities EUR m
Intangible assets	3.1	187.7	1.2	195.0
Property, plant and equipment	13.8	5.7	6.5	1.0
Inventories	19.4	0.0	14.6	0.0
Financial assets	1.6	3.5	22.2	2.0
Other assets	0.6	0.0	1.2	1.2
Provisions	20.8	0.8	30.9	0.0
Financial liabilities	6.5	0.9	6.2	4.0
Other financial liabilities	9.4	0.1	7.7	0.0
Tax loss carryforward	10.1	0.0	1.4	0.0
Write-down of deferred tax assets	-20.1	0.0	0.0	0.0
Total	<u>65.2</u>	<u>198.7</u>	<u>91.9</u>	<u>203.2</u>
Offsetting	(5.0)	(5.0)	(6.3)	(6.3)
Carrying amount	<u>60.2</u>	<u>193.7</u>	<u>85.6</u>	<u>196.9</u>

The temporary differences taken as a basis for the calculation of deferred taxes mainly result from fair value measurements of assets in the course of business combinations as well as the revaluation of financial assets in accordance with IFRS 9. Deferred tax expenses in the amount of €0.3 million (prior year: €0.7 million) for pension provisions were directly recognized in other comprehensive income. As of September 30, 2020, there are further tax loss carryforwards of €267.4 million (prior year: €314.1 million) for which no deferred tax assets have been recognized. Of this amount, €4.5 million (prior year: €12.4 million) will expire in the next five to seven years. Tax loss carryforwards in the amount of €0.1 million (prior year: €8.7 million), for which no deferred tax assets had been recognized, were utilized in the period under review.

Deferred tax assets on loss carryforwards were recognized for entities which forecasts gave substantial indications of recoverability.

In accordance with IAS 12, deferred tax liabilities are recognized on the difference between the equity share of a subsidiary included in the Consolidated Statement of Financial Position and the carrying amount of the investment in the subsidiary recognized in the parent company's tax balance sheet (outside basis differences), if realization is expected. As of the reporting date, outside basis differences amounted to €19.2 million (prior year: €19.2 million), for which no deferred taxes were recognized.

16. Inventories

	09/30/2020 EUR m	09/30/2019 EUR m
Finished goods and merchandise	733.0	738.7
Raw materials, consumables and supplies	5.3	5.6
Advances to suppliers for merchandise	0.2	0.1
Total	<u>738.6</u>	<u>744.4</u>

Write-downs to the net realizable value resulted in impairment losses of €24.9 million in the period ended September 30, 2020 (prior year: €32.6 million).

Inventories are regularly subject to the customary retention of title.

17. Trade accounts receivable

Trade accounts receivable primarily include receivables from credit card organizations as well as from Douglas Card customers.

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of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Values determined using the expected credit loss model in accordance with IFRS 9 are presented separately in the Consolidated Statement of Profit or Loss. Trade accounts receivable are due immediately, do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their fair values. The maximum default risk as of the reporting date corresponds to the carrying amount.

Assessment of expected credit losses

In order to estimate the expected credit losses on trade accounts receivable, an allowance matrix is used.

The default risk is mainly influenced by individual characteristics of customers and the geographical location. In order to calculate expected credit losses, trade accounts receivable with comparable credit risk characteristics are classified into different portfolios based on geographical location and customer characteristics. Historical patterns of payment behavior and the ageing structure of receivables are analyzed individually for each portfolio and used as a starting point for determining the loss rate. Together with the amount at risk of default, the expected credit loss is determined for each portfolio and maturity band. The calculated loss rate per portfolio is adjusted downstream if significant changes in the macroeconomic situation are expected.

The following table provides information on the estimated credit risk and expected credit losses for trade accounts receivable and contract assets as of September 30, 2020.

	Weighted average loss rate %	Gross carrying amount EUR m	Loss allowance EUR m	Credit- impaired
Current (not past due)	0.73	5.5	0.0	No
1-30 days past due	1.19	8.9	0.1	No
31-60 days past due	7.96	1.5	0.1	No
61-90 days past due	52.69	0.3	0.2	No
More than 90 days past due	85.00	0.1	0.1	Yes
Total		16.3	0.5	
Trade accounts receivable not subject to risk	—	21.2	0.0	
Trade accounts receivable as of September 30		37.5	0.5	

Kirk Beauty One GmbH does not demand securities for claims arising from deliveries and services. The Group does not have any trade receivables or contract assets, for which no impairment is recognized due to the existence of collateral.

Movement in the allowance for impairment in respect of trade receivables and contract assets

As a result of default risks, valuation allowances amounting to €19.2 million (prior year: €19.2 million) exist at the reporting date.

The development of allowances related to trade receivables and contract assets is shown in the following table:

	2019/2020 EUR m	2018/2019 EUR m
As of October 1	19.2	8.3
Adjustment on initial application of IFRS 9	0.0	0.3
As of October 1 under IFRS 9	19.2	8.6
Additions	1.5	11.2
Reversal	(0.7)	0.0
Utilization	(0.8)	(0.6)
As of September 30	19.2	19.2

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of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Prior year's additions were adjusted by €9.3 million due to better information, with no effect on the Consolidated Statement of Profit or Loss or the Consolidated Statement of Financial Position.

18. Financial assets

Financial assets include long-term receivables from shareholders, bonus/advertising cost subsidies, equity participations, lease receivables and other financial receivables. Except for equity participations, financial assets are classified and measured on the basis of the business model and the cash flow criterion; they are managed within the business model "hold" and the cash flow criterion is considered fulfilled. Consequently, they are measured at amortized cost, except for equity participations.

Equity participations represent financial investments in unlisted equity instruments. There was no intention to sell said equity participations as of the reporting date. Depending on how the equity instruments are managed, they are measured at fair value through profit or loss.

Financial assets overview

	09/30/2020	With a remaining term of		09/30/2019	With a remaining term of	
	Total EUR m	Up to 1 year EUR m	More than 1 year EUR m	Total EUR m	Up to 1 year EUR m	More than 1 year EUR m
Receivables against shareholders . .	831.4	0.1	831.3	562.5	0.1	562.4
Bonuses/advertising subsidies	122.5	122.5		123.2	123.2	
Equity participations	2.1	—	—	5.3	—	—
Lease receivables	54.1	36.4	17.7	25.8	25.8	
Other financial assets	6.4	5.8	0.6	8.4	6.3	2.1
Total	1,016.6	164.8	849.6	725.2	155.4	564.5

Receivables against shareholders are interest-bearing. The gross receivable from the shareholder, Kirk Beauty Two GmbH, is subordinated in the amount of €507.3 million.

Receivables from supplier bonuses and advertising subsidies are due in the short term and do not bear interest.

The carrying amount of the equity participation in the GPD Group was fully impaired, with impairment losses amounting to €3.2 million in financial year 2019/20.

All other financial assets are non-interest-bearing financial instruments. The carrying amounts of other financial assets are basically equivalent to their fair values.

As of the reporting date, other financial assets in the amount of €0.0 million (prior year: €0.0 million) had been pledged as collateral for bank loans and Senior Notes.

Development of write downs on other financial assets

The following table contains an analysis of other financial assets

	09/30/2020 EUR m	09/30/2019 EUR m
Financial assets		
Not due	1,001.1	565.2
Past due < 30 days	9.8	160.0
Past due > 30 days	5.7	0.0
Total	1,016.6	725.2

No cash receipts relating to receivables fully written-off in prior periods were recognized in the financial year 2019/20. The maximum default risk corresponds to the carrying value as of the reporting date.

The impairment of financial assets is presented below, broken down by the levels of the expected credit loss model.

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Level 1--Probability of default for the next twelve months

	2019/2020 EUR m	2018/2019 EUR m
As of October 1	1.8	1.5
Adjustment on initial application of IFRS 9	0.0	0.0
Adjusted balance as of October 1	1.8	1.5
Additions	5.2	0.3
Utilization	(0.1)	0.0
As of September 30	6.9	1.8

Level 2--Probability of default for the entire term

	2019/2020 EUR m	2018/2019 EUR m
As of October 1	63.3	0.0
Adjustment on initial application of IFRS 9		75.2
Adjusted balance as of October 1	63.3	75.2
Additions	91.8	
Reversal		(11.9)
As of September 30	155.1	63.3

The level 2 impairment relates to receivables from the shareholder Kirk Beauty Two GmbH with a gross carrying amount of €986.4 million (prior year: €625.7 million). The classification results from liquidly traded bonds of the shareholder's investment, which are quoted below the issue price. The credit risk was derived from rating-equivalent credit default swaps.

The credit risk was derived from credit default swaps, based on a "CCC+" rating (Moody's) dated June 3, 2020, which results in a probability of default depending on the remaining term and a loss given default of 69 percent (prior year: 63 percent). The contracts contain termination rights which are not shown separately in the statement of financial position and which are taken into account in the credit exposure via various scenarios. There is no objective evidence of impairment or a fundamentally impaired creditworthiness for these receivables.

Offsetting financial assets and financial liabilities

The amounts not offset in the statement of financial position include both derivative financial instruments (interest rate caps) and their outstanding purchase price payment. Set-off agreements or similar agreements exist for these financial instruments; however, they do not meet the set-off criteria according to IAS 32.

	Gross value EUR m	Offsetting EUR m	Carrying amount EUR m	Contingent offsetting amount EUR m	Financial guaranties received / granted EUR m	Net amount EUR m
09/30/2020						
Financial assets						
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities						
Purchase price liability arising from derivative financial instruments	(2.0)	0.0	(2.0)	0.0	0.0	(2.0)
09/30/2019						
Financial assets						
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities						
Purchase price liability arising from derivative financial instruments	(4.1)	0.0	(4.1)	0.0	0.0	(4.1)

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

19. Other assets

Other assets primarily include prepaid expenses.

20. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances (original term up to 3 months). It also includes checks and cash in hand. Cash and cash equivalents represent highly liquid financial investments that can be converted into cash at any time and are only subject to insignificant fluctuations in value. The Consolidated Statement of Cash Flows provides a detailed analysis of the movement in cash and cash equivalents. The maximum default risk corresponds to the carrying value as of the reporting date.

Kirk Beauty One GmbH allocates cash and cash equivalents to the business model "hold". Based on the business model and the fulfilment of the cash flow criterion, cash and cash equivalents are measured at amortized cost. All carrying amounts correspond to the fair values.

Cash and cash equivalents measured at amortized cost are subject to the general approach of the expected credit loss model. As Kirk Beauty One GmbH only makes investments in counterparties with at least investment grade rating (BBB-), a low credit risk is assumed for these financial instruments. Kirk Beauty One GmbH uses credit default swap spreads and rating information to determine the expected credit losses for cash and cash equivalents. The calculated amount of expected credit losses is insignificant.

As of the reporting date, bank balances in the amount of €221.9 million (prior year: €52.9 million) had been pledged as collateral for bank loans and Senior Notes. Under the terms of agreement, all rights and powers in respect of the accounts may be fully exercised so that the pledged bank balances continue to form part of cash and cash equivalents.

Security can only be enforced by the lenders if the majority of them instruct the agent to make the debt due and payable with immediate effect. This requires a prior breach of the terms of the contract, which has not been resolved before the expiration of a specified grace period.

21. Equity

Capital stock

Issued capital stock remained unchanged at €25,000.00 on the reporting date. Capital was entirely paid in.

Additional paid-in capital

Additional paid-in capital includes capital contributions of Kirk Beauty One GmbH shareholders in excess of subscribed capital.

Reserves

	09/30/2020 EUR m	09/30/2019 EUR m
Other reserves	(450.5)	(260.2)
Reserve for the recognition of actuarial gains/losses from pension provisions	(3.1)	(4.4)
Deferred taxes recognized directly in equity	1.1	1.4
Reserve for currency translation differences	(5.3)	(2.9)
Total	<u>(457.8)</u>	<u>(266.0)</u>

Profit appropriation / loss compensation claim

Kirk Beauty Two GmbH is the sole shareholder of Kirk Beauty One GmbH. A profit and loss transfer agreement was concluded between Kirk Beauty One GmbH and Kirk Beauty Two GmbH effective as of October 1, 2015 as part of the establishment of a corporation tax and trade tax group. In the separate financial statements of Kirk Beauty One GmbH prepared according to the German Commercial Code (HGB) for the

Notes to the Consolidated Financial Statements--(Continued)

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period from October 1, 2019 through September 30, 2020, a loss for the period, before profit or loss transfer, of €319.6 million (prior year: €2.8 million) was incurred and compensated by Kirk Beauty Two GmbH. The loss compensation is disclosed in the Statement of Changes in Group Equity as a transaction with shareholders.

Share-based payments

A management participation program for key employees and other executive employees of the Group has been set up in a management participation company, established as a shareholder of Kirk Beauty International S.A., a company above the group of consolidated companies of Kirk Beauty One GmbH. This management participation program allows the management and other management personnel to invest in the Douglas-Group and, in the event of the current majority shareholder departing (through a sale or IPO), participate in the anticipated value increase. The management participation program grants members the opportunity to indirectly acquire shares in Kirk Beauty International S.A. in a particular structure. The participants' investment allows them to indirectly participate in the returns and value developments of a defined portfolio consisting of ordinary shares, preferred shares and preferred equity certificates (PECs). Preferred shares and PECs have defined returns on capital employed. PECs take precedence over preferred shares, which in turn take precedence over ordinary shares, when it comes to servicing.

Given that Kirk Beauty One Group companies are not obliged to settle share-based payments themselves, this constitutes a share-based payment with settlement through equity instruments in accordance with IFRS 2.43B (b).

The purchase prices for the transfer of shares to members of the management participation program who joined the program when it was established were determined on the basis of the purchase price of the former Beauty Holding Group (now Kirk Beauty One Group) on August 13, 2015. The purchase prices of the shares of participants who joined the program at a later date were determined according to the portfolio value calculated on the basis of a mark-to-market valuation of the Group (using the latest company planning and multiples derived from market data). In valuing the preferred shares and the PECs, the amount of the contractually agreed accumulated interest and preferred dividends amortized to the accession date (grant date) is taken into consideration.

Members may only sell acquired shares to Kirk Beauty Investments S.A. If a member leaves the program, Kirk Beauty Investments S.A. is entitled to buy back his shares (call option).

If they sell their shares prematurely or leave the Kirk Beauty One Group as "good leavers," members shall receive a payment for a contractually defined share of the portfolio, which is vested until the date of departure, equating to the higher of the current market value of the shares or the purchase price less any received reimbursements. For the non-vested share, "good leavers" receive the lower of the current market value or the purchase price less any received reimbursements. Five years after the accession date, "good leavers" receive 100 percent of the market value of their portfolio upon termination. "Bad leavers" receive the lower of current market value and purchase price.

If a defined exit event occurs (which may include an initial public offering or a similar transaction, in which all or substantially all of the Group's assets are sold, so that the current investors retain less than 50 percent of the shares), the proceeds from the sale, after the deduction of costs, will be used to service the above-mentioned instruments, including accrued interest, in the following order: PECs, preferred shares and lastly ordinary shares. Investors are required to cooperate in an exit event and participate pro rata in the proceeds of the sale in accordance with the portfolio they hold.

In order to determine IFRS 2 personnel expense for the period, the purchase prices to be paid by plan participants were compared to the fair values of the share classes at the respective accession date (grant date). If plan participants have purchased instruments at a price below fair value, the grant date fair value is determined as the difference between purchase price and fair value at the accession date. Fair values of the instruments were determined by means of discounted cash flow assessments of the Kirk Beauty One Group, based on business plans valid on the grant dates, taking into account the seasonal development of working capital and the change in net debt. The cost of capital parameters were derived on a quarterly basis and include the risk-free interest calculated using the Svensson methodology, the relevant market risk premium, the average unlevered beta and debt-equity ratio derived from the applicable peer group and a country-specific weighted tax rate. In addition, a weighted country-specific risk premium according to Damodaran and a credit spread between a ten-year German government bond and a bond determined using a synthetic rating of the Kirk Beauty One Group were taken into account.

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The resulting enterprise value has been allocated to the different share classes and PECs, taking into account the nominal values of PECs and preferred shares as option prices for the valuation of the classes of instruments according to the Black-Scholes method, including contractual and accumulated interest and preferred dividend amounts and any repurchase programs as of the accession date. Black-Scholes models were calculated using the same assumptions regarding risk-free interest rate, volatility and expected maturity of the program, which was set at five years beginning August 15, 2015. It was also assumed that no plan participants will leave the program within the remaining term and that no dividends will be paid or repurchase programs will be executed. The calculation of purchase prices per instrument for the three share classes takes into account a discount for the lack of marketability ("DLOM") of the two share classes and the PECs. DLOM was determined using the Finnerty approach.

The parameters used in calculation are as follows.

Parameters	2019/2020	2018/2019
Risk-free interest rate	n/a	0.60%
Market risk premium	n/a	7.00%
Unlevered beta	n/a	0.85
Volatility	n/a	24.90%
WACC after tax	n/a	7.19%
DLOM	n/a	6.36%

As no shares were issued in financial year 2019/20, a new valuation at the grant date was obsolete.

The fair values of benefits granted to employees at the inception of the program were as follows: ordinary shares 3.25 Euro, preferred shares 0.00 Euro and PECs 0.00 Euro.

No shares were issued in the financial year. The weighted average fair value of the benefits arising from the new shares issued to employees in the prior year was 0.19 Euro per share for ordinary shares, 0.00 Euro for preferred shares and 0.00 Euro for PECs.

The weighted average of the purchase prices of the shares issued to the plan participants existing at the reporting date is 1.12 Euro (prior year: 1.11 Euro) for the ordinary shares, 1.16 Euro (prior year: 1.15 Euro) for the preferred shares and 0.01 Euro (prior year: 0.01 Euro) for the PECs. The purchase prices of the ordinary shares ranged from 0.00 Euro to 7.41 Euro, the preferred shares from 1.00 Euro to 1.42 Euro and the PECs from 0.01 Euro.

The following table shows the development of instruments granted to employees during the financial year.

Statement of changes in instruments granted–10/01/2019–09/30/2020

	Ordinary shares	Preferred shares	PECs
10/01/2019	690,352	1,072,025	169,796,695
Instruments returned	(37,500)	(58,233)	(9,076,730)
09/30/2020	652,852	1,013,792	160,719,965

Statement of changes in instruments granted–10/01/2018–09/30/2019

	Ordinary shares	Preferred shares	PECs
10/01/2018	701,688	1,089,628	169,840,342
Instruments granted	101,164	157,095	24,486,310
Instruments returned	(112,500)	(174,698)	(24,529,957)
09/30/2019	690,352	1,072,025	169,796,695

The amount of benefits granted to employees as of the reporting date totals €0.7 million, thereof €0.7 million vested (prior year: €0.8 million, thereof €0.6 million vested). Due to the classification as equity

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of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

settled share-based payment program, the grant date fair value of benefits granted in the form of instruments is recorded as personnel expense over the vesting period; the offsetting entry is made in other reserves in equity. Personnel expenses from share-based payments of €0.2 million (prior year: €0.2 million) were recorded for the period ended September 30, 2020.

22. Pension provisions

Pension provisions are recognized for funded and non-funded employer-financed commitments arising from pension entitlements and ongoing payments to employees and former employees as well as their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. The pension entitlements usually relate to payments for contractually agreed retirement pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19. Accordingly, actuarial gains/losses are recognized directly and in full via a separate equity component.

Valuations are based on actuarial reports using the following parameters.

	Germany %	France %	The Netherlands %	Switzerland %
09/30/2020				
Interest rate	1.00	0.65	0.80	0.14
Pension benefit increase rate	1.50	0.00	2.00	0.00
	Germany %	France %	The Netherlands %	Switzerland %
09/30/2019				
Interest rate	0.70	0.45	0.50	0.16
Pension benefit increase rate	1.50	0.00	2.00	0.00

Dr. Heubeck's 2018 "Mortality Tables" or comparable country-specific mortality tables were used as a basis for the biometric parameters.

An amount of €26.4 million (prior year: €30.5 million) was paid for defined contribution plans in the period ended September 30, 2020.

The following table shows a reconciliation of the defined benefit obligation (DBO) to the defined benefit liability (DBL).

	09/30/2020		09/30/2019	
	Unfunded obligation EUR m	Funded obligation EUR m	Unfunded obligation EUR m	Funded obligation EUR m
DBO	34.2	20.8	36.3	21.9
Fair value of plan assets		(17.1)	0.0	(18.1)
Liability	34.2	3.7	36.3	3.8

The following table shows the development of the defined benefit obligation.

	2019/2020		2018/2019	
	Unfunded obligation EUR m	Funded obligation EUR m	Unfunded obligation EUR m	Funded obligation EUR m
DBO at the beginning of the period	36.3	21.9	30.8	17.6
Actuarial gains/losses resulting from adjustments of financial assumptions	(1.1)	(0.1)	6.3	3.3
Service cost	0.5	0.4	0.4	0.3
Interest expense	0.2	0.1	0.5	0.3
Curtailments	(0.2)	0.0	(0.3)	0.0
Pension payments	(1.5)	(1.5)	(1.4)	0.0
Currency translation adjustments	0.0	0.0	0.0	0.4
DBO at the end of the period	34.2	20.8	36.3	21.9

Notes to the Consolidated Financial Statements--(Continued)

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The following table compares the income and expenses from pension obligations.

	2019/2020		2018/2019	
	Unfunded obligation EUR m	Funded obligation EUR m	Unfunded obligation EUR m	Funded obligation EUR m
Service cost	0.5	0.4	0.4	0.3
Interest expense	0.2	0.1	0.5	0.3
Expected return on plan assets	0.0	0.0	0.0	(0.2)
Gains/losses from curtailment	(0.2)	0.0	(0.3)	0.0
Period pension expenses	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>	<u>0.4</u>

No further disclosures are made regarding losses from curtailment due to the minor significance of this item.

The development of plan assets is shown in the following table.

	2019/2020 EUR m	2018/2019 EUR m
Plan assets at the beginning of the period	18.1	15.2
Actuarial gains/losses resulting from adjustments of financial assumptions	0.0	2.1
Expected return on plan assets	0.0	0.2
Contributions	0.4	0.3
Payments	(1.4)	0.0
Currency translation adjustments	0.0	0.3
Plan assets at the end of the period	<u>17.1</u>	<u>18.1</u>

The fair value of plan assets at the end of the period is attributable to the following asset classes.

	2019/2020 EUR m	2018/2019 EUR m
Insurance contracts	11.5	12.3
Equity instruments	1.8	1.7
Debt instruments	1.2	1.6
Property	1.2	1.2
Alternative assets (private equity, hedge funds, infrastructure)	0.4	0.6
Cash and cash equivalents	0.1	0.3
Other	0.9	0.4
Plan assets at the end of the period	<u>17.1</u>	<u>18.1</u>

Pension payments in the amount of €2.2 million and contributions to plan assets in the amount of €0.4 million are expected for the period ended September 30, 2021. An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by €5.3 million. A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by €6.2 million. An increase or a decrease of 0.5 percentage points in the expected pension trend with all other parameters remaining unchanged would increase the present value of the defined benefit obligations by €2.9 million or decrease the present value of the defined benefit obligations by €1.6 million, respectively. The weighted average duration of all obligations is 14.9 years as of the reporting date.

Notes to the Consolidated Financial Statements--(Continued)

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23. Provisions

Statement of changes in non-current provisions--10/01/2019--09/30/2020

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2019	18.0	18.1	17.7	53.8
Utilization	(0.7)	(1.0)	(1.3)	(3.0)
Reversal	0.0	(0.2)	(0.4)	(0.6)
Additions	0.3	5.3	2.5	8.1
Reclassification to current provisions	0.0	0.6	(0.8)	(0.2)
Interest	0.0	0.0	0.0	0.0
09/30/2020	17.6	22.8	17.7	58.1

Statement of changes in non-current provisions--10/01/2018--09/30/2019

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2018	18.0	14.1	9.8	41.9
Utilization	(1.9)	(0.9)	(1.7)	(4.5)
Reversal	0.0	(0.1)	0.0	(0.1)
Additions	1.8	5.1	9.8	16.7
Reclassification to current provisions	0.0	(0.2)	(0.2)	(0.4)
Interest	0.1	0.1	0.0	0.2
09/30/2019	18.0	18.1	17.7	53.8

Non-current human resources commitments primarily concern compensation for length of service as well as anniversary provisions.

Real estate commitments predominantly concern provisions for restoration obligations.

Other provisions mainly concern legal costs.

Discount rates for non-current provisions are between 0 percent and 1 percent depending on the term and country.

Statement of changes in current provisions--10/01/2018--09/30/2020

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2019	72.2	1.5	40.9	114.6
Utilization	(54.3)	(1.0)	(11.1)	(66.4)
Reversal	(4.3)	(0.3)	(3.5)	(8.1)
Additions	60.5	2.3	20.7	83.5
Reclassification from non-current provisions	0.0	0.2	0.0	0.2
Currency translation adjustment	(0.2)	—	(0.1)	(0.3)
09/30/2020	73.9	2.7	46.9	123.5

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Statement of changes in current provisions--10/01/2018--09/30/2019

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2018	65.7	4.8	32.1	102.6
Adjustment on initial application of IFRS 9			0.3	0.3
Adjusted balance 01/10/2018	65.7	4.8	32.4	102.9
Utilization	(60.0)	(3.7)	(15.4)	(79.1)
Reversal	(4.6)	(0.5)	(5.2)	(10.3)
Additions	71.1	0.7	28.9	100.7
Reclassification from non-current provisions	0.0	0.2	0.2	0.4
09/30/2019	72.2	1.5	40.9	114.6

Provisions for human resources commitments were primarily recognized for bonuses, holiday claims, Christmas bonuses and settlements.

Real estate commitments mainly concern incidental rental costs.

Other provisions were mainly recognized for litigation risks and corresponding legal costs.

Current provisions are expected to be utilized in the period ending September 30, 2021 and with cash outflows equaling the amounts recognized.

24. Trade accounts payable

All business transactions recognized under trade accounts payable have remaining terms of less than one year.

25. Financial liabilities

	09/30/2020 Total EUR m	Remaining term			09/30/2019 Total EUR m	Remaining term		
		< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m		< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m
Liabilities to bank	1,838.0	167.6	1,670.5	0.0	1,670.2	0.2	1,670.0	0.0
Lease liabilities	1,331.8	276.3	1,052.7	2.7	4.4	4.4	0.0	0.0
Senior Notes and Senior Secured Notes	637.5	10.0	627.5	0.0	634.4	10.0	624.3	0.0
Financial liabilities from options held by non- controlling interests ...	3.7	0.0	3.7	0.0	3.7	0.0	3.7	0.0
Liabilities from contingent considerations	13.5	0.2	13.3	0.0	27.9	15.2	12.7	0.0
Purchase price liability arising from derivative financial instruments ...	2.0	2.0	0.0	0.0	4.1	2.0	2.1	0.0
Liabilities to third-party shareholders	1.1	0.0	1.1	0.0	0.6	0.0	0.6	0.0
Miscellaneous financial liabilities	2.5	2.5	0.1	0.0	5.8	5.7	0.0	0.0
Total financial liabilities	3,830.1	458.6	3,368.8	2.7	2,350.9	37.5	2,313.5	0.0

Liabilities to minority shareholders

Regarding the minority shareholders of one subsidiary in Bulgaria, an obligation exists to acquire their shares as soon as they are tendered by the minority shareholders. Additionally, one German partnership has

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cancellation rights with the consequence that in the event of termination, compensation at fair value would be payable to the minority shareholders. This results in a commitment of €3.9 million (prior year: €3.6 million) as of the financial statement date.

The contingent selling price for the shares in Profumerie Douglas S.p.A. agreed in connection with the acquisition of the Limoni and La Gardenia Group with the parent company of the selling companies, Orlando Italy S.r.l., was recognized in the prior financial year at its fair value of €15.0 million as a liability to minority shareholders as of the financial statement date and was settled in full in the financial year 2019/20.

The fair value of the minimum purchase price liability for the acquisition of the remaining minority interests in Parfümerie AKZENTE GmbH in the amount of €7.9 million (prior year: €7.6 million) is presented as a liability to minority shareholders as well.

The contingent purchase price liability associated with the acquisition of the remaining 49 percent interest in Niche-Beauty.COM GmbH was recognized at its fair value of €5.3 million (prior year: €5.2 million) as a liability to minority shareholders as of the financial statement date.

26. Other liabilities

	09/30/2020 Total EUR m	Remaining term			09/30/2019 Total EUR m	Remaining term		
		< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m		< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m
Coupons not yet redeemed	146.8	146.8	0.0	0.0	139.4	139.4	0.0	0.0
Contract liabilities (Customer loyalty programs)	40.7	40.7	0.0	0.0	33.8	33.8	0.0	0.0
Total liabilities in kind ..	187.5	187.5	0.0	0.0	173.2	173.2	0.0	0.0
Personnel liabilities	17.9	17.9	0.0	0.0	18.0	18.0	0.0	0.0
Supplier bonus accruals	4.5	4.5	0.0	0.0	5.7	5.7	0.0	0.0
Accrued rental payments	1.0	1.0	0.0	0.0	0.7	0.7	0.0	0.0
Miscellaneous other financial liabilities	27.3	12.7	13.8	0.7	22.1	13.2	7.6	1.3
Total miscellaneous other liabilities	50.8	36.2	13.8	0.7	46.5	37.6	7.6	1.3
Total other liabilities	238.3	223.7	13.8	0.7	219.7	210.8	7.6	1.3

Miscellaneous other financial liabilities mainly include deferred Douglas Card commissions in the amount of €5.3 million (prior year: €5.6 million).

Further disclosures

27. Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows shows how the Group's cash and cash equivalents have changed in the course of the financial year as a result of cash inflows and outflows. The Consolidated Statement of Cash Flows distinguishes between changes in cash and cash equivalents resulting from operating activities, investing activities and financing activities.

Cash and cash equivalents amounted to €256.3 million (prior year: €81.0 million) as of September 30, 2020 and consisted exclusively of cash and cash equivalents as reported in the Consolidated Statement of Financial Position.

Cash inflow from operating activities totaled €523.0 million (prior year: €198.3 million) in the financial year 2019/20, of which €278.0 million resulted from the reclassification of rental payments to cash flows from financing activities in connection with the first-time application of IFRS 16 in financial year 2019/20. The rental payments previously reported as cash outflow from operating activities are now largely classified as repayments of lease liabilities and thus as financing activities.

Notes to the Consolidated Financial Statements--(Continued)

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The increase in provisions of €5.8 million (prior year: €29.4 million) includes the change in non-current and current provisions, in the prior year corrected for additions from company acquisitions, which are reported in cash flow from investing activities. Changes in working capital (without liabilities from investments in non-current assets) of minus €41.9 million (prior year: minus €39.7 million) and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of minus €45.5 million (prior year: minus €5.3 million) show the change in the corresponding positions, adjusted for amounts attributable to investing or financing activities.

Working capital of the Douglas-Group comprises inventories, trade accounts receivable, trade accounts payable (including liabilities from investments in non-current assets), receivables from advertising cost subsidies, sales promotion and supplier bonuses as well as liabilities from coupons not yet redeemed.

Cash outflow for investing activities came to €105.5 million (prior year: €106.4 million) in the reporting period. €0.0 million were attributable to acquisitions (prior year: €3.5 million).

The sale of the former headquarter property in Hagen resulted in a cash inflow from investing activities of €23.2 million in the prior year.

Cash outflow for financing activities amounted to €241.6 million (prior year: €113.6 million). The year-on-year increase in cash outflow is due to the first-time application of IFRS 16 in the financial year 2019/20, as described above. This is offset by the liquidity-related utilization of the Revolving Credit Facility (RCF).

The following table shows a reconciliation of cash flows from financing liabilities to the changes in financial liabilities reported in the Consolidated Statement of Financial Position.

	Liabilities to bank EUR m	Senior Notes and Senior Secured Notes EUR m	Purchase price liability arising from derivative financial instruments EUR m	Lease liabilities EUR m	Financial liabilities from options held by non- controlling interests EUR m	Liabilities from contingent considerations EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Net book value as of October 1, 2019	1,670.2	634.4	4.1	4.3	3.7	27.9	6.4	2,351.0
Adjustment on initial application of IFRS 16				1,461.1				1,461.1
Adjusted net book value as of October 1, 2019	1,670.2	634.4	4.1	1,465.4	3.7	27.9	6.4	3,812.1
Interest expense	63.5	51.3		24.8	0.7	0.6		140.9
Currency translation adjustments				(4.6)				(4.6)
Additions to lease liabilities				145.6				145.6
Disposals from lease liabilities				(51.0)				(51.0)
Other changes							(0.8)	(0.8)

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	Liabilities to bank EUR m	Senior Notes and Senior Secured Notes EUR m	Purchase price liability arising from derivative financial instruments EUR m	Lease liabilities EUR m	Financial liabilities from options held by non-controlling interests EUR m	Liabilities from contingent considerations EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Changes without effect on cash flow from financing activities ..	63.5	51.3	0.0	114.8	0.7	0.6	(0.8)	230.1
Drawing of facilities ...	181.6							181.6
Redemption of facilities	(14.1)		(2.1)	(226.5)	(0.7)	(15.0)		(258.4)
Interest paid	(63.2)	(48.1)		(22.1)			(2.2)	(135.6)
Interest received							0.2	0.2
Effect on cash flow from financing activities	104.3	(48.1)	(2.1)	(248.6)	(0.7)	(15.0)	(2.0)	(212.2)
Net book value as of September 30, 2020	1,838.0	637.6	2.0	1,331.7	3.7	13.5	3.6	3,830.1
	Liabilities to bank EUR m	Senior Notes and Senior Secured Notes EUR m	Purchase price liability arising from derivative financial instruments EUR m	Lease liabilities EUR m	Financial liabilities from options held by non-controlling interests EUR m	Liabilities from contingent considerations EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Net book value as of October 1, 2018 ...	1,670.4	631.2	6.1	2.9	3.5	22.1	1.0	2,337.2
Interest expense	61.3	51.3			0.7	0.6		113.9
Additions from acquisitions						5.2		5.2
Loss assumption and corporate income tax allocation Kirk Beauty Two GmbH							5.2	5.2
Other changes				1.4			1.7	3.1
Changes without effect on cash flow from financing activities	61.3	51.3	0.0	1.4	0.7	5.8	6.9	127.4
Drawing of facilities	3.3							3.3
Redemption of facilities	(3.3)		(2.0)					(5.3)
Interest paid	(61.5)	(48.1)			(0.5)		(1.5)	(111.6)
Effect on cash flow from financing activities	(61.5)	(48.1)	(2.0)	0.0	(0.5)	0.0	(1.5)	(113.6)
Net book value as of September 30, 2019	1,670.2	634.4	4.1	4.3	3.7	27.9	6.4	2,351.0

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28. Segment reporting

Fundamentals

As the leading specialty retailer in Europe, the Douglas-Group operates 2,372 perfumeries (including franchise branches) and a variety of online web shops in 26 European countries, in which primarily perfumery, cosmetic and skincare products and food supplements are sold to end customers. Business is conducted on the basis of an omnichannel approach that interlinks the store and online business in a way that ensures that customers are optimally served via both channels.

Chief Operating Decision Maker, reportable and operating segments

The reporting segments are categorized on the basis of their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker.

The Board of Directors of Douglas GmbH is the chief operating decision-maker in the meaning of IFRS 8. It steers the Douglas-Group, it is responsible for allocating resources to the business segments at the highest level and it assesses and monitors their profitability. The Board of Directors of Douglas GmbH is also the Board of Directors of Kirk Beauty One GmbH.

Below the chief operating decision-maker, the segment managers are responsible for the operating business and in turn report to the chief operating decision-maker.

Based on the internal organizational and reporting structure, the segment managers are deployed at country level, which means that steering and monitoring by the chief operating decision-maker also takes place on country level.

The operating segments Germany and France are shown separately in the segment report (reportable segments), as they differ considerably from the other countries (market position and market strategy, particularly with the market presence under the Nocibé brand in France).

The current and expected gross profit margins and EBITDA margins, market position, economic circumstances, customer base, sales organization, supplier structure and regulatory environment in the South-Western European countries Italy, Spain, the Netherlands, Austria, Portugal, Switzerland, Monaco and Andorra on the one hand and the Eastern European countries Poland, Hungary, the Czech Republic, Latvia, Lithuania, Romania, Bulgaria, Croatia, Slovakia and Estonia on the other hand are mostly homogeneous. For this reason, the individual operating segments were combined under the reportable segments South-Western Europe and Eastern Europe. Parfumdreams and Niche Beauty were allocated to the reportable segment Germany since Parfumdreams and Niche Beauty are steered and controlled from Germany and generate the majority of their revenues in Germany as well.

As of the reporting date, the Douglas-Group's reportable segments were Germany, France, South-Western Europe and Eastern Europe.

Segment Performance Indicator

The segment performance indicator is Adjusted EBITDA.

Alongside sales, adjusted EBITDA is the Douglas-Group's key financial performance indicator that is used to assess the performance of the segments and manage resource allocation.

Internal licensing costs and other similar costs charged from the segment Germany to the segments South-Western Europe and Eastern Europe were not included in the presentation of segment EBITDA and adjusted segment EBITDA, in accordance with the internal steering logic.

Adjusted EBITDA is defined as follows:

The EBITDA reported in the Consolidated Statement of Profit or Loss is adjusted for those lease expenses and income in accordance with the former IAS 17 that are to be capitalized in accordance with

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IFRS 16. The resulting "key performance indicator to be adjusted" is adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control.

Adjustments

The adjustments are basically divided into the following five categories: "Credit card fees," "Purchase price allocations (PPA)," "Restructuring costs and severance payments," "Consulting fees" and "Other adjustments". In the prior year, the adjustments made to inventory impairment losses were also reported separately due to their materiality. In view of the abnormal situation and uniqueness of the COVID-19 pandemic, certain related expenses and income have also, in the opinion of management, to be adjusted and have been disclosed separately in the category "COVID-19-effects".

The respective categories are primarily attributable to the following matters:

- **Credit card fees:**
Fees charged for the use of credit cards are classified as financial expenses and are reclassified to these
- **Purchase Price Allocations (PPA):**
EBITDA effects in profit or loss concerning the amortization of hidden reserves disclosed in connection with business combinations
- **Restructuring costs and severance payments:**
Expenses in connection with the sale or termination of a business unit, the closure or sale of a group of stores, significant changes in the structure of management or fundamental reorganizations. Within this context, expenses in the form of severance payments and salary continuation payments without replacement of the position, furthermore in the case of management positions at national or Group level irrespective of the replacement of the position, are to be mentioned in particular.
- **Consulting fees:**
In relation to strategic projects, acquisitions and financing
- **COVID-19-effects:**
Include, in particular, personnel and rent-related vacancy costs in connection with our closed stores and other additional costs caused by the coronavirus pandemic.
- **Other adjustments**
Other matters that do not recur on a regular basis, are exceptional or are not suitable for internal management. These include in particular: Restructuring expenses that are not personnel-related, write-downs of receivables, impairment losses on inventories if not reported separately due to materiality, income from the reversal of previously adjusted provisions.

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The reconciliation of reported EBITDA to adjusted EBITDA is presented below, followed by an explanation of the main business transactions.

Reconciliation of reported EBITDA to adjusted EBITDA

	10/01/2019- 09/30/2020 EUR m	01.10.2018- 30.09.2019 EUR m
EBITDA (=reported EBITDA)	456.5	282.5
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	(278.0)	0.0
Key performance indicator to be adjusted	178.6	282.5
Credit card fees	14.9	14.8
Purchase Price Allocations (PPA)	5.9	5.3
Restructuring costs and severance payments	13.3	12.1
Consulting fees	19.5	12.7
Write-down of inventories	(2.5)	21.8
COVID-19-effects	61.6	0.0
Other adjustments	1.0	1.7
Sum of adjustments	113.7	68.4
Adjusted EBITDA	292.3	350.9

- Write-down of inventories
Income from the reversal of an impairment loss of €2.5 million recognized in the prior year.
- COVID-19-effects:
These mainly resulted from the closure of our stores, mainly in the form of rental-related vacancy costs of €32.5 million and personnel-related vacancy costs of €15.5 million, as well as costs of €2.8 million for external staffing. Additional direct costs amounted to €9.7 million and mainly included expenses for the purchase of hygiene articles such as disinfectants and masks. Cleaning costs, additional IT costs such as extended service IT services to ensure remote work in the home office. There were also COVID-19-related inventory valuation effects amounting to €3.7 million. Adjustments for government grants amounting to €2.8 million had an opposite effect.
- Other adjustments:
These include in particular expenses from the optimization of our branch structure amounting to €9.2 million and write-downs in connection with receivables at risk of default amounting to €2.6 million. Offsetting these items are mainly compensation from our former shareholder in the amount of €5.5 million, income from the reversal of a previously adjusted provision for legal disputes in the amount of €1.5 million, other income in connection with legal disputes totaling €3.5 million and the reversal of various provisions in the amount of €2.3 million (prior year mainly: Integration and reorganization costs of €5.6 million, legal disputes of €4.8 million and, offsetting these items, income from the sale of the former Hagen headquarters property of €10.3 million).

Other explanations on segment reporting

The recognized segment sales correspond to sales with external third parties. Internal sales account for sales between individual segments. The allocation of segment sales is based on the registered office of the selling unit. The allocation of sales to the reporting segment is based on the registered location of the selling company.

Transfers between segments are generally performed at the same prices that would apply if the transactions were executed with third parties (arm's length transactions).

The monthly reporting to the chief operating decision-maker only shows the inventories of individual segments as segment assets. Inventories shown in segment reporting include purchased goods, raw materials, consumables and supplies and advance payments for inventories.

Capital expenditure shown in segment reporting relates to additions made to intangible assets and property, plant and equipment.

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Non-current assets

	09/30/2020 EUR m	09/30/2019 EUR m
Germany	1,570.7	1,305.5
France	862.6	710.8
Other countries	1,120.6	624.1
Total	3,553.9	2,640.4

The non-current assets presented for all segments comprise intangible assets, property, plant and equipment and rights-of-use assets from leases located in Germany and abroad. Non-current financial assets and deferred tax assets were excluded. Segment liabilities are not regularly reported to the chief operating decision maker.

29. Fair value of financial instruments

The following tables represent the carrying amounts and fair values of financial instruments as of the reporting date. The items are classified according to IFRS 9⁹ and are also categorized into a three-stage fair value hierarchy, which structures the data used for the fair value calculation according to its market relevance.

Financial instruments categorized in accordance with IFRS 9–09/30/2020

	Net book value EUR m	Category	Not measured at fair value EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Fair Value EUR m	Level
Trade accounts receivable	37.5	AC	37.5			37.5	2
Cash and cash equivalents	256.3	AC	256.3				
Financial assets							
Receivables against shareholders	831.4	AC	831.4			831.4	2
Equity participations	2.1	FVtPL		2.1		2.1	2
Miscellaneous financial assets	183.1	AC	183.1			183.1	2
Total financial assets	1,016.6						
Trade accounts payable	503.5	AC	503.5			503.5	2
Financial liabilities							
Purchase price liability arising from derivative financial instruments	2.0	AC	2.0			2.0	2
Liabilities to bank	1,838.0	AC	1,838.0			1,838.0	2
Liabilities from Senior Secured Notes ..	301.0	AC	301.0			274.8	1
Liabilities from Senior Notes	336.5	AC	336.5			224.8	1
Liabilities from minority options	3.7	AC	3.7			3.7	2
Liabilities from contingent considerations	13.4	FVtPL		13.4		13.4	3
Miscellaneous financial liabilities	3.6	AC	3.6			3.6	2
Total financial liabilities according to IFRS 9	2,498.3						
Lease liabilities according to IFRS 16 ...	1,331.8						
Total financial liabilities in total	3,830.1						

⁹ Abbreviations used for the categories of financial instruments according to IFRS 9

AC–Measured at amortized cost;

OfL–Other financial liabilities;

FVtPL–Measured at fair value through profit or loss

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Financial instruments categorized in accordance with IFRS 9–09/30/2019

	Net book value EUR m	Category	Not measured at fair value EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Fair Value EUR m	Level
Trade accounts receivable	45.7	AC	45.7			45.7	2
Cash and cash equivalents	81.0	AC	81.0				
Financial assets							
Receivables against shareholders	562.4	AC	562.4			562.4	2
Equity participations	5.3	FVtPL		5.3		5.3	2
Other financial assets	157.5	AC	157.5			157.5	2
Total financial assets	725.2						
Trade accounts payable	487.0	AC	487.0			487.0	2
Financial liabilities							
Purchase price liability arising from derivative financial instruments	4.1	AC	4.1			4.1	2
Liabilities to bank	1,670.2	AC	1,670.2			1,670.2	2
Liabilities from Senior Secured Notes ..	299.5	AC	299.5			300.3	1
Liabilities from Senior Notes	334.9	AC	334.9			264.7	1
Liabilities from minority options	3.7	AC	3.7			3.7	2
Liabilities from contingent considerations	12.9	FVtPL		12.9		12.9	2
Liabilities from contingent considerations	15.0	FVtPL		15.0		15.0	3
Miscellaneous financial liabilities	10.7	AC	10.7			10.7	2
Total financial liabilities according to IFRS 9	2,350.9						

Fair values of the Notes liabilities are calculated on the basis of market prices quoted on active markets (level 1).

A mark-to-market measurement based on yield curves available on the market is conducted for the interest rate caps presented as derivative financial instruments under "Assets" (level 2).

The contingent purchase price liability associated with the acquisition of the remaining 49 percent of the shares in Niche-Beauty.COM GmbH was recognized as a liability to minority shareholders at its fair value of €5.3 million as of the reporting date. The remaining 49 percent of the shares were acquired with economic effect from January 1, 2022 and subject to the condition precedent of payment of the second purchase price tranche. The purchase price of the 49 percent stake is also determined by the achievement of certain economic performance indicators. The lower limit is €3.5 million, the upper limit €6.0 million. The expected value was determined on the basis of an equal distribution of the performance indicators within a range around the target achievement level. The expected value was discounted at an interest rate of 1.5 percent. The sensitivity of the fair value lies between the lower limit of €3.5 million and the upper limit of €6.0 million.

In terms of trade accounts receivable and trade accounts payable, fair values equal the carrying amounts due to the short maturities involved. In case of receivables from the parent company Kirk Beauty Two GmbH, the carrying amount is identical to the fair value as well, as the interest rate was negotiated in accordance with standard market conditions. Since then, market interest rates have changed slightly. On the other hand, the credit risk has increased. Since the carrying amount already takes the credit risk until maturity into account, it substantially equals fair value still.

Fair values of liabilities to banks are based on expected cash flows within the range of contractual agreements, discounted with a credit-risk-adjusted rate. Calculating the fair value of the syndicated bank loan, a particularity exists. In addition to the variable EURIBOR base rate, adjustments to the credit margin are also regularly made within legally defined boundaries. Credit margins are reassessed on a quarterly basis, regarding the development of certain corporate key figures. The reassessment is based on ratios that the syndicate would also include in the assessment of credit risk. As a result, interest expectations as of the

Notes to the Consolidated Financial Statements—(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

reporting date are largely equivalent to fair credit interest assessment. As there were no interest accruals as of the reporting date, the fair value only deviates from the nominal value of the liability to an immaterial extent.

Fair values of other financial instruments are calculated using the present values of contractually agreed payments in consideration of country-specific interest yield curves.

Equity participations are measured at fair value. No sale of these equity participations is planned as of the reporting date.

30. Management of financial risks

The financial management of Kirk Beauty One GmbH is responsible for the Group's financing and supports decision-makers of German and foreign Group companies in respect of all financial issues.

The financial risks relevant to the Group, such as liquidity risks, the risk of interest rate changes, default risks and risks from cash flow fluctuations, are adequately controlled and monitored by the financial management of Kirk Beauty One GmbH.

Liquidity risk

With regard to liquidity risks, reference is made to the explanations provided under Note 2 in section Assumption of going concern as the basis for accounting.

The Group generally has access to various sources for the funding of business operations, investments and potential acquisitions. This includes existing cash and cash equivalents, net cash flow from operating activities and bank credits as well as Senior Secured Notes and Senior Notes.

All German subsidiaries and the significant subsidiaries based abroad are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction of the debt financing volume and an optimization of cash investments, thus having a positive impact on the Group's net interest result.

As of the reporting date, financing agreements totaled €2,505.0 million and comprised the following.

- €635.0 million Notes, comprising €300.0 million Senior Secured Notes and €335.0 million Senior Notes,
- €1,670.0 million Senior Facilities Agreement ("Term Loan B Facility"), consisting of €1,370.0 million from "Term Loan Facility B1" and €300.0 million from "Term Loan Facility B2" and
- €200.0 million from a Revolving Credit Facility (RCF).

The Senior Secured Notes and the Senior Notes bear fixed interest rates of 6.25 percent and 8.75 percent respectively. The interest on the "Term Loan Facility B1" of €1,370.0 million is based on EURIBOR plus a margin of 3.5 percent. EURIBOR plus a margin of 3.25 percent has been agreed for the "Term Loan Facility B2" in the amount of €300.0 million. The Senior Facilities Agreement contains a 0.0 percent EURIBOR floor (prior year: 0.0 percent).

The nominal value of the Revolving Credit Facility amounted to €165.5 million at the reporting date, consisting of a Revolving Credit Facility Loan of €74.3 million and Ancillary Facilities of €91.2 million. Furthermore, the RCF was utilized by way of collateral in particular in the form of rental guarantees in the amount of €17.4 million (prior year: €13.8 million).

The Revolving Credit Facility Loan bears interest at EURIBOR plus a margin of 3.75 percent. Interest on the Ancillary Facilities is based on EURIBOR plus a line-related margin of up to 3.75 percent.

The Senior Facilities Agreement has a maturity until August 2022 and the Revolving Credit Facility until February 2022. The Senior Secured Notes mature in July 2022 and the Unsecured Senior Notes mature in July 2023.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The Senior Secured Notes as well the Senior Facilities Agreement are secured by collateral. The following assets were pledged as collateral: bank balances, shares in certain Group companies and internal accounts receivable as well as assets from interest cap agreements.

In the event of borrower default, the lenders have the opportunity to initiate a contractually defined process, which aims to bring about the immediate due payment of the liability and the utilization of the pledged collateral.

Financing liabilities (without current accounts and Revolving Credit Facility)

	09/30/2020		09/30/2019	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	300.0	301.0	300.0	299.5
Senior Notes	335.0	336.5	335.0	334.9
Term Loan B Facility	1,670.0	1,670.0	1,670.0	1,670.0
Revolving Credit Facility	165.5	166.1	0.0	0.0
Other borrowings	2.0	2.0	0.0	0.0
Total	2,472.4	2,475.6	2,305.0	2,304.3

Carrying amounts include accruals.

Individual companies also have access to bilateral credit lines, none of which (prior year: €0.0 million) had been utilized as of the reporting date. In addition, government loans totaling €2.0 million were drawn down from national aid programs.

Kirk Beauty One GmbH and its subsidiaries have to meet certain other obligations and key financial covenants, if 40.0 percent of the Revolving Credit Facility is drawn in the form of Revolving Credit Facility Loans. The Revolving Credit Facility Loan was valued at €74.3 million as of the reporting date, which corresponds to a utilization of less than 40 percent of the RCF.

The utilization of the RCF through Ancillary Facilities in the amount of €91.2 million (prior year: €0.0 million) and collateral in the form of rental guarantees in the amount of €17.4 million (prior year: €13.8 million) is of no significance for the calculation of and compliance with financial covenants. Accordingly, compliance with these financial covenants agreed in the loan agreement is not relevant as of September 30, 2020.

Besides these financial covenants, the Group also has to meet certain qualitative covenants.

If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral.

Considering the high debt ratio, there is a concentration of risk as of the reporting date regarding the types of debt financing described, which is monitored with particular care by management. A complete repayment from the generated funds is only possible over a very long period of time. It is expected that a (partial) redemption could take place as part of a sale or IPO. Alternatively, refinancing could take place until the year 2022. The interest rate to be expected by then depends on the interest rate environment to be observed as well as leverage and rating.

Notes to the Consolidated Financial Statements—(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
		Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to bank	1,838.0				16.1						
Senior Notes and Senior Secured Notes	637.5		0.6					1,836.0	68.9		
Trade accounts payable	503.5	232.4			236.6	34.4		635.0	68.1		
Financial liabilities from options held by non-controlling interests	3.7									3.7	
Liabilities from contingent considerations	13.4									13.4	
Purchase price liability arising from derivative financial instruments	2.0				0.5	1.5					
Other financial instruments	3.6	2.5								1.1	
	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
		Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to bank	1,670.2		0.3		15.8			1,670.0	115.1		
Senior Notes and Senior Secured Notes	634.4							635.0	116.2		
Trade accounts payable	487.0	217.1			216.6	53.2					
Financial liabilities from options held by non-controlling interests	3.7									3.7	
Liabilities from contingent considerations	27.9	15.0								12.9	
Purchase price liability arising from derivative financial instruments	4.1				0.5	1.5				2.1	
Other financial instruments	10.7	10.1								0.6	

Notes to the Consolidated Financial Statements--(Continued)

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All financial liabilities existing as of the reporting date and for which payments were already contractually agreed are included in the table. Payments for future liabilities which did not exist as of the reporting date are not included. Floating interest rate payments were determined on the basis of the interest rates known as of the reporting date. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to euros using the closing rate.

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the capital markets. The loans attributable to the Group from the Senior Facilities Agreement generally bear variable interest based on the EURIBOR. In addition, the Senior Facilities Agreement of €1,670 million contains an interest rate floor, which is effective at 0.0 percent. To reduce the risk of cash flow fluctuations due to changes in interest rates of variable loans, the Group entered into interest rate hedging agreements.

Interest rate caps are in place to hedge against the risk of interest rate fluctuations over a total nominal volume of €1,100.0 million. These caps reduce the risk of an increase in EURIBOR to a maximum of 1.0 percent. The resulting cash flows can affect the interest result during the period from October 1, 2015 through September 30, 2021. The Senior Facilities Agreement contains an interest rate floor at 0.0 percent EURIBOR. The cash flows from this agreement will affect the interest result until August 13, 2022.

	09/30/2020		09/30/2019	
	Reference amount EUR m	Fair values: Financial assets EUR m	Reference amount EUR m	Fair values: Financial assets EUR m
Interest rate caps	1,100.0	0.0	1,100.0	0.0
of which not part of a hedge relationship	1,100.0	0.0	1,100.0	0.0

A sensitivity analysis was conducted to quantify the interest rate risk. Subject to this analysis was the Senior Facilities Agreement, which bears interest rate risks based on the EURIBOR as far as it is not part of a hedging relationship. A relative increase in the interest rate by 100 base points would affect interest expenses in the amount of roughly €9.5 million.

Currency risk

Operating units of the Kirk Beauty One Group largely conduct their activities in the respective functional currency. The currency risk of the Group is considered to be low, as 90 percent of the Group's sales (prior year: 91 percent) were effected in euros in the financial year 2019/20 and merchandise was purchased almost exclusively in euros. Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the Consolidated Financial Statements do not impact currency risk.

A sensitivity analysis was conducted in line with the requirements of IFRS 7. This analysis includes the effects from foreign currency positions measured at the closing date rate pursuant to IAS 21 through profit or loss.

The effects recognized in profit or loss from foreign currency exchange rate fluctuations on financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. This means that Kirk Beauty One Group would be exposed to risks of €0.3 million in the event of an improvement or deterioration in the value of the Euro exchange rate of 5 percent.

Default risk

Default risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The default risk generally arises from all financial assets in the portfolio, such as trade accounts receivable, other receivables, cash investments with bank partners and derivatives with a positive market value. The carrying amounts of the financial assets and contract assets correspond to the maximum default risk.

Arising from the increased focus of the e-commerce channel, the entities of the Kirk Beauty One Group are faced with a receivables default risk, which is a system-inherent risk in mail-order retail. For this reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

A default risk may arise from the default of a banking partner, in particular as a result of insolvency in the context of financial investments or positive market values from derivatives. The Kirk Beauty One Group counters this risk by concluding transactions concerning both financial investments and financial instruments exclusively with first-class banks. At the same time, the volume is distributed among several counterparties in order to avoid concentration risks. Due to the difficult global economic situation, larger financial investments are avoided as far as possible or only concluded with first-class German banks.

Capital management

The subject of capital management is equity under IFRS. The goal of the Kirk Beauty One Group's capital management is to assure that the Group can continue to meet its financial obligations and that the covenants from the syndicated loans are met. A further goal of capital management is to increase the enterprise value on a long-term basis. A secondary aim of the capital management strategy is to ensure that all Group companies have appropriate equity according to local needs, such that external capital requirements were always met in the past financial year. This is to be achieved through the constant improvement of cash flow and EBITDA.

	09/30/2020 EUR m	09/30/2019 EUR m
Equity	667.3	859.1
Debt	5,053.8	3,523.9
Liabilities to bank	1,838.0	1,670.2
Senior Notes and Senior Secured Notes	637.5	634.4
Cash and cash equivalents	256.3	81.0
Net debt	2,219.3	2,223.5

Net debt is defined as the sum of liabilities to banks and Notes liabilities, offset by cash and cash equivalents.

31. Related party transaction with companies and persons

The Kirk Beauty One Group had the following delivery and supply relationships with related parties in the past financial year.

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Deliveries and services provided		
Shareholders (interest only)	48.1	45.0
Members of management in key positions	0.0	0.0
Other related companies and related persons	0.0	0.0
<i>thereof associates</i>	0.0	0.0
Total	48.1	45.0
Deliveries and services received		
Shareholders	0.0	0.0
Members of management in key positions	0.0	0.0
Other related companies and related persons	6.5	7.6
Total	6.5	7.6

Kirk Beauty Two GmbH is shareholder of Kirk Beauty One GmbH. Business relationships with related companies and persons are effected under the same conditions as with third parties (arm's length transaction). The ultimate parent company is Kirk Beauty S.à r.l., Luxembourg.

Shareholder

A profit and loss transfer agreement was concluded between Kirk Beauty One GmbH and Kirk Beauty Two GmbH effective as of October 1, 2015 as part of the establishment of a corporation tax and trade tax group. In the separate financial statements of Kirk Beauty One GmbH prepared according to the German

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

Commercial Code (HGB) for the period from October 1, 2019 through September 30, 2020, a loss for the period before profit and loss transfer of €319.6 million (prior year: €2.8 million) was incurred; this loss for the period was compensated by Kirk Beauty Two GmbH. A verbal corporate tax allocation contract exists as of the reporting date.

The corporate tax allocation amount was €0.0 million in the financial year 2019/20 (prior year: €8.0 million). Receivables from related companies/persons amounted to €831.3 million as of the reporting date (prior year: €562.4 million); liabilities to related parties came to €0.0 million (prior year: €5.8 million). These receivables result from claims regarding the assumption of loss by Kirk Beauty Two GmbH and cash pooling transactions, converted into shareholder loans for satisfaction purposes, and include an impairment loss of €155.1 million (prior year: €63.3 million) in accordance with IFRS 9 as of the reporting date.

Key management personnel and total remuneration of the Board of Management

Key management personnel

Key management personnel includes the members of management of the Kirk Beauty One Group and the Supervisory Board of Douglas GmbH.

Expenses for short-term benefits to key management personnel amount to €3.1 million (prior year: €3.0 million), of which €0.2 million (prior year: €0.2 million) is attributable to the Supervisory Board. Expenses for termination benefits of key management personnel amounted to €0.0 million (prior year: €0.2 million). In accordance with IFRS 2, expenses from share-based payments to key management personnel amounted to €0.0 million (prior year: €0.0 million).

Total remuneration of the Board of Management

Total remuneration for the management of the Kirk Beauty One Group amounted to €2.9 million for the financial year 2019/20 (prior year: €2.8 million). Total remuneration includes the share-based payment at fair value upon grant of €0.0 million (prior year: €0.0 million). The total remuneration of former members of the Board of Management and their surviving dependents amounted to €1.0 million (prior year: €1.2 million). Pension obligations (DBO) to former members of the Board of Management and their surviving dependents amounted to €20.6 million as of September 30, 2020 (prior year: €21.9 million).

32. Other financial obligations and contingent liabilities

All information on this has already been disclosed in the previous chapters.

33. Other explanatory notes

Shareholdings

Name and registered office Companies included in the Consolidated Financial Statements	09/30/2020 Share in %
Kirk Beauty One GmbH, Düsseldorf	
Douglas GmbH, Düsseldorf	100.0
Parfümerie Douglas GmbH, Düsseldorf	100.0
Parfümerie Douglas Deutschland GmbH, Düsseldorf	100.0
Douglas Cosmetics GmbH, Düsseldorf	100.0
Parfümerie Douglas International GmbH, Düsseldorf	100.0
Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100.0
Parfümerie Douglas Nederland B.V., Nijmegen/The Netherlands	100.0
Parfümerie Douglas AG, Baar/Switzerland	100.0
Parfümerie Douglas Inc., Westport/USA	100.0
Parfümerie Douglas Portugal Lda., Lisbon/Portugal	100.0
Douglas Ungarn Kft., Budapest/Hungary	100.0
Douglas Polska SP.z.o.o., Warsaw/Poland	100.0
Parfümerie Douglas Monaco S.A.M., Monaco/Monaco	100.0
Douglas Investment B.V., Nijmegen/The Netherlands	100.0

Notes to the Consolidated Financial Statements--(Continued)

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Name and registered office Companies included in the Consolidated Financial Statements	09/30/2020 Share in %
Parfumerie Douglas s.r.o., Prague/Czech Republic	100.0
Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100.0
UAB "Douglas LT", Vilnius/Lithuania	100.0
SIA "Douglas Latvia", Riga/Latvia	100.0
SIA "Douglas Baltic", Riga/Latvia	100.0
Parf. Douglas S.R.L., Bucharest/Romania	100.0
Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76.0
DESG-Douglas Verwaltungs- und Beteiligungs GmbH, Zossen	100.0
Douglas Parfumerije d.o.o., Zagreb/Croatia	100.0
Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen	100.0
Douglas Eigenverwaltungsgesellschaft mbH, Zossen (formerly Douglas Logistik GmbH)	100.0
Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100.0
Douglas Marken und Lizenzen GmbH & Co. KG, Zossen	100.0
Douglas Franchise B.V., Nijmegen/The Netherlands	100.0
Groupe Nocibé SAS, Villeneuve d'Ascq/France	100.0
Nocibé France SAS, Villeneuve d'Ascq/France	100.0
Nocibé France Distribution SAS, Villeneuve d'Ascq/France	100.0
Douglas Vastgoed B.V. I, Nijmegen/The Netherlands	100.0
Douglas Vastgoed B.V. II, Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands Holding B.V., Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands B.V., Nijmegen/The Netherlands	100.0
Groupe Douglas France SAS, Villeneuve d'Ascq/France	100.0
Parfümerie Douglas Slowenska s.r.o., Bratislava/Slovakia	100.0
Compania de Almacenaje, Distribucion y Servicios S.A., Madrid/Spain	100.0
Douglas Spain SA, Madrid/Spain (formerly Ibérica de Droguería y Perfumería S.A.U.)	100.0
Douglas Italia S.p.A., Milan/Italy (formerly Limoni S.p.A.)	100.0
Passera distribució S.L., Andorra	100.0
Douglas Italia Co. Investment S.r.l.	100.0
Ultimate Skin Aesthetics GmbH, Düsseldorf	100.0
Parfümerie AKZENTE GmbH, Pfedelbach	80.0
Ltd. Douglas Estonia, Tallinn/Estonia	100.0
DOUGLAS Informatik & Service GmbH, Hagen	100.0
Niche-Beauty.COM GmbH, Hamburg	51.0
Beauty Media Solutions GmbH, Düsseldorf	100.0
Parfümerie Douglas Megastore GmbH, Düsseldorf	100.0
inter-moda GmbH, Hagen	100.0
Buch & Medien GmbH, Hagen	100.0
Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88.0
DOUGLAS Grundbesitz GmbH, Hagen	100.0
Douglas Finance B.V., Nijmegen/The Netherlands	100.0
Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH, Zossen	100.0
Associated companies	
Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover	30.0
Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hannover	30.0
GPD Cartera 2, S.L., Madrid/Spain	20.0

Due to their minor significance for the Group's net assets, financial position and results of operations and insufficient available financial information, the associated companies were measured at cost.

Notes to the Consolidated Financial Statements--(Continued)

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Leases

Other amounts recognized in the Consolidated Statement of Profit or Loss in financial year 2019/20

	10/01/2019- 09/30/2020 EUR m
Expenses for variable lease payments not included in the measurement of lease liabilities	2.5
Income from the sublease of rights of use	0.3
Expenses for short-term leases	0.0
Expenses for leases on an asset of low value	0.8

Operating leases in accordance with IAS 17 in the prior financial year 2018/19

	10/01/2019- 09/30/2019 EUR m
Lease expense	281.5
Income from subleases presented in other income	97.4
Expenses from contingent lease payments	0.0

Notes to operating leases in accordance with IAS 17 in the prior Consolidated Financial Statements of financial year 2018/19

Contracts qualifying as operating leases in the Kirk Beauty One Group mainly comprise store lease agreements. These contracts are generally concluded for a basic lease period of five years and are equipped with lease extension options. The values reported do not include any lease extension options. The lease payments are based partly on variable and partly on fixed lease rates. The minimum lease payments under operating leases amount to €281.5 million (prior year: €281.6 million). Contingent lease payments resulting from sales-based lease agreements amounted to €0.7 million as of the reporting date (prior year: €1.0 million).

	Less than 1 year EUR m		1 to 5 years EUR m		More than 5 years EUR m		Total EUR m	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Obligations from operating leases	296.3	333.6	672.3	745.2	168.0	208.1	1,136.6	1,286.9
Income from subleases	24.9	27.0	54.1	47.3	18.4	22.6	97.4	96.9

Maturity analysis of undiscounted lease receivables in financial year 2019/20

	09/30/2020 EUR m
Less than one year	6.2
One to two years	6.0
Two to three years	4.4
Three to four years	3.8
Four to five years	2.1
More than five years	1.4
Total amount of undiscounted lease receivables	23.9
Unrealized financial income	0.6
Net investment in the lease	23.3

Maturity analysis of undiscounted lease liabilities in financial year 2019/20

	09/30/2020 EUR m
Less than one year	283.6
One to five years	877.4
More than five years	216.0
Total	1,377.0

Notes to the Consolidated Financial Statements--(Continued)

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Government Grants

In order to mitigate the economic disadvantages resulting from the COVID-19 pandemic, the Douglas-Group received monetary subsidies from the public sector, mainly in the form of subsidies for personnel expenses and social security contributions.

In the financial year 2019/20, government grants of €29.4 million were awarded, of which €26.4 million was recognized as a reduction in expense and €3.0 million as other income.

Average number of employees

The average number of persons employed was:

	10/01/2019 - 09/30/2020	10/01/2018 - 09/30/2019
Salaried employees	21,016	21,708
Apprentices	501	552
Total	21,517	22,260

Options according to Sections 264 (3) and 264b German Commercial Code (HGB)

In application of Sections 264 (3) and 264b German Commercial Code (HGB), the following German subsidiaries have refrained from preparing notes to the financial statements and a management report as well as from disclosing their annual financial statements.

Company	Registered Office	Refrain/Exemption from		
		preparation of notes	preparation of management report	disclosing annual financial statements
Douglas GmbH	Düsseldorf	x	x	x
Parfümerie Douglas Deutschland GmbH	Düsseldorf	x	x	x
Parfümerie Douglas GmbH	Düsseldorf	x	x	x
DOUGLAS INFORMATIK & SERVICE GmbH	Hagen	x	x	x
inter-moda GmbH	Hagen	x		x
Douglas Eigenverwaltungsgesellschaft mbH (formerly Douglas Logistik GmbH)	Zossen	x		x
Buch & Medien GmbH	Hagen	x		x
Parfümerie Douglas International GmbH	Hagen	x		x
Douglas GmbH & Co. Objekt Zeil KG	Pullach im Isartal			x
Douglas Cosmetics GmbH	Düsseldorf	x	x	x
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Zossen			x
Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH	Zossen	x	x	x
Douglas Marken- und Lizenzen GmbH & Co. KG ...	Zossen			x
Parfümerie AKZENTE GmbH	Pfedelbach	x	x	x
Beauty Media Solutions GmbH	Düsseldorf			
Parfümerie Douglas Megastore GmbH	Düsseldorf	x		x

Expenses for auditor's fees

	10/01/2019- 09/30/2020 EUR m	10/01/2018- 09/30/2019 EUR m
Audit of financial statements	0.8	0.8
Other assurance and audit-related services	0.0	0.0
Tax consultation services	0.0	0.0
Other services	2.2	0.5
Total	3.0	1.3

Notes to the Consolidated Financial Statements--(Continued)

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The fees for the auditor of the Consolidated Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft, in accordance with Section 285 (17) German Commercial Code (HGB) came to €3.0 million in total (prior year: €1.3 million) for the financial year 2019/20; thereof €0.8 million for the audit of financial statements (prior year: €0.8 million) and €2.2 million for other services (prior year: €0.5 million).

Management

The Group's business is managed by Tina Müller (Chief Executive Officer, CEO), Matthias Born (Chief Financial Officer, CFO), Vanessa Stütze (Chief Digital Officer, CDO, from May 12, 2020) and Dr. Michael F. Keppel (Chief Restructuring Officer, CRO, from October 28, 2020).

Events after the reporting date

The following events requiring consideration occurred between the Consolidated Financial Statements reporting date and the date on which the Consolidated Financial Statements were approved for publication:

The coronavirus pandemic--impact on financial year 2020/21

Overall, the COVID-19 pandemic has not yet been overcome. In the first quarter of financial year 2020/21, and thus in the important Christmas business, there were lockdowns with store closures across Europe once again. Many of our stores continued to be closed in January. A large part of the decline in store sales was offset by the strong e-commerce business.

Changed customer behavior--optimization of our store network

The longstanding trend of shifting from store to e-commerce purchases was further reinforced by the COVID-19 pandemic. In response to this change in our customers' consumer behavior, around 500 of the currently around 2,400 stores across Europe will be closed. Most of the closings take place in the South-Western Europe region, which is particularly affected by the effects of the coronavirus pandemic and in which there is a very dense, partially overlapping branch network due to previous acquisitions. The necessary downsizing of the branch network goes hand in hand with investments in flagship stores in top locations, product innovations and the consistent expansion of digital retail throughout Europe. As a result of the above-mentioned measures, we currently expect one-time expenses in the high double-digit million range and sustainable positive effects in the low triple-digit million range.

Additional incremental revolving facility of €75 million

At the end of January, Douglas received additional commitments from the banks for an incremental revolving facility in the amount of €75 million.

Day of preparation and authorization for issue

Management prepared and authorized for issue the Consolidated Financial Statements on January 28, 2021.

Düsseldorf, January 28, 2021

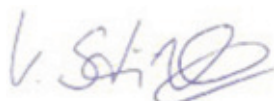
Kirk Beauty One GmbH
Management



Tina Müller



Matthias Born



Vanessa Stütze



Dr. Michael F. Keppel

Independent Auditor's Report

Note: The following "Independent Auditor's Report" in accordance with par. 322 of German Commercial Code (HGB) relates to the Consolidated Financial Statements as described above, together with the Group Management Report of Kirk Beauty One GmbH for the financial year from October 1, 2019 to September 30, 2020. The Group Management Report is not part of the information, which is issued as part of this online publication with the Auditor's Report. The enclosed wording is a translation of the German original.

Independent Auditor's Report

To Kirk Beauty One GmbH, Düsseldorf

Opinions

We have audited the Consolidated Financial Statements of Kirk Beauty One GmbH, Düsseldorf, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at September 30, 2020, the Consolidated Statement of Profit or Loss, the Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income, the Statement of Changes in Group Equity, the Consolidated Statement of Cash Flows for the financial year from October 1, 2019 to September 30, 2020, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of Kirk Beauty One GmbH for the financial year from October 1, 2019 to September 30, 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2020, and the profit or loss for the financial year from October 1, 2019 to September 30, 2020, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and presents the opportunities and risks of future development appropriately.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections relating to the legal compliance of the Consolidated Financial Statements and the Group Management Report.

Basis for the Opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" of our auditor's report. We are independent from the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Consolidated Financial Statements and on the Group Management Report.

Material uncertainty in connection with the going concern assumption

We refer to the disclosures "Assumption of going concern as the basis of accounting" in section 2 "Accounting standards" and "Events after the reporting date" in section 33 "Other explanatory notes" of the Notes to the Consolidated Financial Statements as well as the disclosures in section "Financial risks" of the Group Management Report, in which the legal representatives describe the following material uncertainty in connection with the going concern.

The financial risks represent a going concern risk for the Douglas-Group. The following material uncertainties exist:

- the follow-up financing until maturity in 2022 and 2023 must succeed,

- the required and planned increase in earnings power in the Group's transformation process must be achieved and thus solvency maintained, and
- the liquidity of the Group must not be additionally burdened by further delays in opening the stores.

The long-term financing of the Douglas-Group is provided by a senior syndicated loan agreement including a Revolving Credit Facility and Ancillary Facilities as well as corporate bonds issued. The risk of a lack of follow-up financing until maturity in 2022 or 2023 is assessed as high. In total, the senior syndicated loan agreement including the Revolving Credit Facility and the corporate bonds issued provide the Douglas-Group with financial resources in the amount of €2,505.0 million. With the drawing of the Revolving Credit Facility and the Ancillary Facilities in the amount of €165.5 million in March 2020, the credit lines are almost exhausted. According to current planning, the Douglas-Group will not be in a position to repay these liabilities from its own funds when the non-current financial liabilities mature, so that refinancing will have to be successful.

During the term of the financing agreements, the Douglas-Group must, among other obligations, in particular service the cost of capital on time and maintain a certain ratio between adjusted EBITDA and debt (financial covenant). However, the obligation to comply with the ratio of Adjusted EBITDA to debt only arises when at least 40.0 percent or €80 million (threshold) of the Revolving Credit Facility has been drawn down by Revolving Credit Facility Loans.

The ongoing servicing of the cost of capital generally assumes that the Douglas-Group's planning will not be significantly missed in terms of sales, earnings and cash flow development.

The COVID-19 pandemic has had and continues to have a substantial impact on the Douglas-Group's business. The original planning for sales and earnings for the financial year 2019/20 from October 2019 was significantly missed.

It is now clear that COVID-19 will also impact the Group's further development in financial year 2020/21. At present, a reduction in financing reserves is assumed for the Douglas-Group, taking into account the current store closures and restrictions in some countries and the assumed openings from February. Each additional week of store closures further increases the liquidity risk.

The massive shift in business to digital retail and the compensation for the associated decline in store business, as well as the adjustment of the store network, are thus seen as a necessary step to increase earnings power.

According to the liquidity planning there are only limited liquidity reserves beyond the reporting date of September 30, 2021, in order to maintain solvency at all times even in the event of further plan failures or an extended period of store closures.

These events and circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Kirk Beauty One Group's ability to continue as a going concern and that represents a going concern risk within the meaning of Section 322 (2) sentence 3 HGB. Our audit opinion is not modified with respect to this matter.

Other Information

Management is responsible for the other information.

The other information comprises the information in the Financial Report, which is published in English language, with the exception of the audited Consolidated Financial Statements and Group Management Report and our auditor's report.

Our opinions on the Consolidated Financial Statements and on the Group Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, we have a responsibility to read the other information referred to above, when it becomes available, and, in so doing, to consider whether the other information

- is materially inconsistent with the Consolidated Financial Statements, the content of the audited Group Management Report disclosures or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group. In addition, management is responsible for such internal controls as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the accounting principle of "going concern" unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position, is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and presents the opportunities and risks of future development appropriately. In addition, management is responsible for such precautions and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and presents the opportunities and risks of future development appropriately, as well as to issue an auditor's report that includes our opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatements in the Consolidated Financial Statements and in the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control system relevant to the audit of the Consolidated Financial Statements and of precautions and measures relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management's use of the accounting principle of "going concern" and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with [German] law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We discuss with those charged with governance, among other matters, the planned scope and the timing of the audit and significant audit findings, including any significant deficiencies in internal control system that we identify during our audit.

Cologne, January 28, 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Stollenwerk
(Wirtschaftsprüferin)

Altmeppen
(Wirtschaftsprüferin)

Consolidated Financial Statements as at September 30, 2019

**Kirk Beauty One GmbH,
Düsseldorf**

Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

	<u>Notes No.</u>	<u>10/01/2018- 09/30/2019 EUR m</u>	<u>10/01/2017- 09/30/2018 EUR m</u>
1. Sales		3,453.5	3,276.8
2. Cost of raw materials, consumables and supplies and merchandise		(1,880.6)	(1,838.9)
3. Gross profit from retail business		1,572.9	1,438.0
4. Other operating income	6	295.8	284.5
5. Personnel expenses	7	(642.7)	(617.3)
6. Other operating expenses	8	(943.2)	(903.5)
7. Result from impairments on financial assets		(0.4)	0.0
8. EBITDA		282.5	201.7
9. Amortization/depreciation	11	(136.6)	(373.3)
10. EBIT		145.9	(171.6)
11. Financial income	9	58.9	33.4
12. Financial expenses	9	(124.4)	(125.0)
13. Financial result	9	(65.5)	(91.6)
14. Earnings (loss) before tax (EBT)		80.5	(263.2)
15. Income taxes	10	(63.3)	(27.0)
16. Profit (+) or Loss (-) of the period		17.2	(290.2)
Attributable to owners of the parent		17.2	(290.2)
Attributable to non-controlling interests		0.0	0.0

Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

	<u>Notes No.</u>	<u>10/01/2018- 09/30/2019 EUR m</u>	<u>10/01/2017- 09/30/2018 EUR m</u>
Profit (+) or Loss (-) of the period		17.2	(290.2)
Components that are or may be reclassified subsequently to the income statement		<u> </u>	<u> </u>
Foreign currency translation differences arising from translating the financial statements of a foreign operation		(1.4)	(0.2)
Components that will not be reclassified to profit or loss		<u> </u>	<u> </u>
Actuarial gains/losses from pension provisions		(5.4)	1.0
Other comprehensive income		(6.8)	0.8
Total comprehensive income		<u>10.4</u>	<u>(289.3)</u>
<i>Attributable to owners of the parent</i>		<u>10.4</u>	<u>(289.3)</u>
<i>Attributable to non-controlling interests</i>		<u>0.0</u>	<u>0.0</u>

Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of September 30, 2019

	Notes No.	09/30/2019 EUR m	09/30/2018 EUR m
Assets			
A. Non-current assets			
I. Intangible assets	11	2,347.6	2,360.6
II. Property, plant and equipment	11	292.8	313.2
III. Tax receivables		0.0	0.0
IV. Financial assets	15	569.8	383.7
V. Shares in associated companies		0.0	0.0
VI. Deferred tax assets	12	85.6	63.5
		<u>3,295.8</u>	<u>3,120.9</u>
B. Current assets			
I. Inventories	13	744.4	756.0
II. Trade accounts receivable	14	45.7	47.2
III. Tax receivables		30.6	26.6
IV. Financial assets	15	155.4	368.5
V. Other assets	16	30.1	26.6
VI. Cash and cash equivalents	17	81.0	102.9
		<u>1,087.3</u>	<u>1,327.9</u>
Total		<u>4,383.0</u>	<u>4,448.8</u>
Equity and Liabilities			
A. Equity	18		
I. Capital stock		0.0	0.0
II. Additional paid-in capital		1,125.1	1,125.1
III. Reserves		-266.0	-228.2
IV. Non-controlling interests		0.0	0.0
		<u>859.1</u>	<u>896.9</u>
B. Non-current liabilities			
I. Pension provisions	19	40.1	33.3
II. Other non-current provisions	20	53.8	41.9
III. Financial liabilities	22	2,313.5	2,306.1
IV. Other liabilities	23	8.9	5.0
V. Deferred tax liabilities	12	196.9	208.8
		<u>2,613.2</u>	<u>2,595.1</u>
C. Current liabilities			
I. Current provisions	20	114.6	102.6
II. Trade accounts payable	21	487.0	565.5
III. Tax liabilities		60.9	54.5
IV. Financial liabilities	22	37.5	31.3
V. Other liabilities	23	210.8	202.9
		<u>910.8</u>	<u>956.8</u>
Total		<u>4,383.0</u>	<u>4,448.8</u>

*) Subscribed capital amounts to €25,000.00.

Statement of Changes in Group Equity

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

	Attributable to owners of the parent						
	Reserves						
	Capital stock EUR m	Additional paid-in capital EUR m	Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Total EUR m	Non-controlling interests EUR m
10/01/2018	0.0	1,125.1	(229.0)	2.5	(1.6)	896.9	0.0
Adjustment on initial application of IFRS 9, after taxes			(51.3)			(51.3)	
Adjusted balance 01/10/2018	0.0	1,125.1	(280.3)	2.5	(1.6)	845.5	0.0
Currency translation					(1.4)	(1.4)	
Effects from valuation of IAS 19				(5.4)	0.0	(5.3)	
Profit (+) or Loss (–) of the period			17.2			17.2	0.0
Total comprehensive income	0.0	0.0	17.2	(5.4)	(1.3)	10.4	0.0
Loss transfer by Kirk Beauty Two GmbH			2.8			2.8	
Share-based Payment			0.2			0.2	
Transactions with shareholders	0.0	0.0	3.0	0.0	0.0	3.0	0.0
09/30/2019	0.0	1,125.1	(260.2)	(2.9)	(2.9)	859.0	0.0

of Kirk Beauty One GmbH for the period from October 1, 2017 through September 30, 2018

	Attributable to owners of the parent						
		Reserves					
	Capital stock EUR m	Additional paid-in capital EUR m	Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Total EUR m	Non-controlling interests EUR m
10/01/2017	0.0	1,125.1	(30.5)	1.5	(1.4)	1,094.7	0.0
Currency translation					(0.2)	(0.2)	
Effects from valuation of IAS 19				1.0	0.0	1.0	
Profit (+) or Loss (–) of the period			(290.2)			(290.2)	0.0
Total comprehensive income	0.0	0.0	(290.2)	1.0	(0.2)	(289.3)	0.0
Loss transfer by Kirk Beauty Two GmbH			90.4			90.4	0.0
Share-based Payment			1.2			1.2	
Transactions with shareholders	<u>0.0</u>	<u>0.0</u>	<u>91.6</u>	<u>0.0</u>	<u>0.0</u>	<u>91.6</u>	<u>0.0</u>
09/30/2018	0.0	1,125.1	(229.0)	2.5	(1.6)	896.9	0.0

Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

The Consolidated Cash Flow Statement is explained in detail in Note 24, Consolidated Cash Flow Statement, in the Notes to the Consolidated Financial Statements

		10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
1.	Profit (+) or Loss (-) of the period	17.2	(290.2)
2.	+ Income taxes	63.3	27.0
3.	+ Financial result	65.5	91.6
4.	+ Amortization/depreciation	136.6	373.3
5.	= EBITDA	282.5	201.7
6.	+/- Increase/decrease in provisions	29.4	(22.9)
7.	+/- Other non-cash expense/income	(7.2)	0.7
8.	+/- Loss/profit on the disposal of non-current assets	(10.1)	(1.2)
9.	+/- Changes in net working capital without liabilities from investments in non-current assets	(39.7)	(9.1)
10.	+/- Changes in other assets/liabilities not classifiable to investing or financing activities	(5.3)	(8.8)
11.	-/+ Paid/reimbursed taxes	(51.4)	(31.3)
12.	= Net cash flow from operating activities	198.3	129.0
13.	+ Proceeds from the disposal of non-current assets	25.1	3.5
14.	- Investments in non-current assets	(128.0)	(94.8)
15.	- Payments for the acquisition of consolidated companies and other business units	(3.5)	(298.3)
16.	= Net cash flow from investing activities	(106.4)	(389.5)
17.	Free cash flow (total of 12. and 16.)	91.9	(260.5)
18.	- Payments for the repayment of financial liabilities	(5.2)	(12.9)
19.	+ Proceeds from borrowings	3.1	307.9
20.	- Interest paid	(111.6)	(109.1)
21.	- Payments for the acquisition of derivative financial instruments	0.0	(0.7)
22.	= Net cash flow from financing activities	(113.6)	185.3
23.	Net change in cash and cash equivalents (total of 12., 16. and 22.)	(21.8)	(75.3)
24.	+/- Net change in cash and cash equivalents due to currency translation	(0.1)	(0.2)
25.	+ Cash and cash equivalents at the beginning of the reporting period	102.9	178.4
26.	= Cash and cash equivalents at the end of the reporting period	81.0	102.9

Notes to the Consolidated Financial Statements as at September 30, 2019

**Kirk Beauty One GmbH,
Düsseldorf**

Segment Reporting

of Kirk Beauty One GmbH for the period from October 1, 2018 through September 30, 2019

		Germany	France	South- Western Europe	
		10/01/2018- 09/30/2019	10/01/2017- 09/30/2018	10/01/2018- 09/30/2019	10/01/2017- 09/30/2018
Sales (net)	EUR m	1,289.1	1,157.2	767.1	758.6
Intersegment sales	EUR m	48.6	67.4	0.0	0.0
Sales	EUR m	1,337.8	1,224.6	767.1	758.6
EBITDA	EUR m	57.2	46.8	108.8	115.8
EBITDA-margin	%	4.4	4.0	14.2	15.3
Non-recurring effects/adjustments	EUR m	38.6	73.9	6.6	3.6
Adjusted EBITDA	EUR m	95.8	120.7	115.3	119.4
Adjusted EBITDA-margin	%	7.4	10.4	15.0	15.7
Inventories	EUR m	249.1	274.8	120.7	122.4
Capital expenditure	EUR m	50.8	55.9	18.5	23.1

		Eastern Europe	Consolidation	Kirk Beauty One GmbH	
		10/01/2018- 09/30/2019	10/01/2017- 09/30/2018	10/01/2018- 09/30/2019	10/01/2017- 09/30/2018
Sales (net)	EUR m	345.8	313.3	3,453.5	3,276.8
Intersegment sales	EUR m	0.0	0.0	0.0	0.0
Sales	EUR m	345.8	313.4	3,453.5	3,276.8
EBITDA	EUR m	45.1	44.7	282.5	201.7
EBITDA-margin	%	13.0	14.3	8.2	6.2
Non-recurring effects/adjustments	EUR m	2.1	1.7	68.4	174.7
Adjusted EBITDA	EUR m	47.1	46.4	350.9	376.4
Adjusted EBITDA-margin	%	13.6	14.8	10.2	11.5
Inventories	EUR m	87.9	85.9	744.4	756.0
Capital expenditure	EUR m	16.1	15.6	108.6	126.4

Segment reporting is explained in detail in Note 25, Segment reporting.

Notes to the Consolidated Financial Statements

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

1. General principles

Kirk Beauty One GmbH (Group parent company) is a limited liability company registered at Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany and is registered in commercial register B of the district court of Düsseldorf under the registration number 79429. The Consolidated Financial Statements of Kirk Beauty One GmbH and its subsidiaries (Kirk Beauty One Group, Douglas-Group, Group) as of September 30, 2019 (balance sheet date) comprise the reporting period beginning October 1, 2018 until September 30, 2019 (financial year, reporting period) and were prepared according to the International Financial Reporting Standards (IFRS). The Consolidated Financial Statements take into account all compulsory accounting standards and interpretations in the European Union adopted at that time.

This version of the Consolidated Financial Statements is in accordance with the provisions of Section 315e HGB (German Commercial Code). This forms the legal basis for accounting processes in Germany in accordance with international standards, together with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

The financial statements of the domestic and foreign subsidiaries included in the Consolidated Financial Statements were prepared uniformly according to the applicable IFRS classification, accounting and measurement principles.

During financial years 2017/18 and 2018/19 the following acquisitions¹ were made; their initial inclusion limits the comparability of figures.

- Perfumerías IF Group, Spain (IF)

In November 2017, 103 Perfumerías IF stores (thereof 5 retail stores in Andorra) were acquired and included for the first time as of November 1, 2017.

- LLG Group, Italy (LLG)

The Douglas-Group acquired Limoni S.p.A., Milan/Italy, and La Gardenia Beauty S.p.A., Grosseto/Italy in mid-November 2017. They were first included in the Kirk Beauty One Group as of November 1, 2017.

- Parfümerie AKZENTE GmbH, Germany (Parfumdreams)

By mid-August 2018, the Parfümerie AKZENTE GmbH was acquired and included for the first time as of September 1, 2018.

- Niche-Beauty.COM GmbH, Germany (Niche Beauty)

Niche-Beauty.COM GmbH was acquired in mid-July 2019 and included in the Kirk Beauty One Group for the first time as of August 1, 2019.

These Consolidated Financial Statements are generally based on the principle of historical cost. The main exceptions to this are financial instruments recognized at fair value.

The Consolidated Financial Statements were prepared in euros (EUR/€). All amounts are presented in million euros (EUR m), unless otherwise indicated. The Consolidated Financial Statements are approved for publication as of December 12, 2019.

The Consolidated Statement of Profit or Loss was generally prepared according to the nature of expense method. By modification of the reporting structure defined in IAS 1.102, the cost of raw materials, consumables and supplies and merchandise is reported directly after sales in order to determine "Gross profit from retail business", which is significant for retail operations.

¹ Further details of the inclusion of these acquisitions can be found in Note 3, Consolidation Principles.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The senior parent company is Kirk Beauty S.à r.l. with registered office in Luxembourg, whose business purpose is the holding of investments in companies. It prepares the Consolidated Financial Statements for the largest group of consolidated entities published in Luxembourg.

2. New accounting standards

The Consolidated Financial Statements of Kirk Beauty One GmbH were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union as of the balance sheet date.

The following overview provides a summary of newly implemented or revised IASB accounting standards and interpretations that were not yet applied by Kirk Beauty One GmbH in financial year 2018/19, as they were either not yet compulsory or not yet approved by the European Commission.

	New standards/Interpretations not yet applicable		Published by IASB	Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on the Kirk Group
IFRS 9, IAS 39, IFRS 7	Financial Instruments, Financial Instruments: Recognition and Measurement, Financial Instruments: Disclosures	Amendment: Interest Rate Benchmark Reform	09/26/2019	01/01/2020	Not yet	No impact
IAS 1, IAS 8	Presentation of Financial Statements, Accounting Policies, Changes in Accounting Estimates and Errors	Amendment: Definition of material	10/31/2018	01/01/2020	Not yet	No impact
IFRS 3	Business Combinations	Amendment: Definition of a Business	10/22/2018	01/01/2020	Not yet	No impact
Conceptual framework		Amendment: revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure	03/29/2018	01/01/2020	Not yet	No impact
IAS 19	Employee benefits	Amendment: Plan Amendment, Curtailment or Settlement	02/07/2018	01/01/2019	03/13/2019	No impact
Improvement Project 2015-2017	Annual Improvements to IFRSs 2015 - 2017 Cycle	Improvement of existing standards	12/12/2017	01/01/2019	03/14/2019	No impact
IFRS 9	Financial Instruments	Amendment: Prepayment features with negative compensation	10/12/2017	01/01/2019	03/22/2018	No impact
IAS 28	Investments in Associates and Joint Ventures	Amendment: Long-term interests in Associates and Joint Ventures	10/12/2017	01/01/2019	02/08/2019	No impact
IFRIC 23	Uncertainty over Income Tax Treatments		06/07/2017	01/01/2019	10/23/2018	No impact
IFRS 17	Insurance Contracts		05/18/2017	01/01/2021	Not yet	No impact
IFRS 16	Leases	Guidance on accounting for leases, replacing IAS 17	01/13/2016	01/01/2019	10/31/2017	Material impact on the presentation of financial statements

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

			Published by IASB	Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on the Kirk Group
	New standards/Interpretations not yet applicable					
IFRS 10, IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures	Amendment: Sale or contribution of assets between an investor and its associate or joint venture	09/11/2014	Deferred	Not yet	No material impact

Each standard may be adopted for the first time at the point at which adoption will be compulsory for the company.

The new IFRS 16 standard will replace the current IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease). The scope of IFRS 16 generally covers the accounting for leases. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period in exchange for consideration.

The main new feature of IFRS 16 compared to IAS 17 concerns accounting principles for the lessee. The classification into operating leases and financial leases will no longer apply in the future. The lessee recognizes a lease liability and a corresponding right-of-use asset for the leasing object upon the commencement of the asset lease. The lessee recognizes the liability at the present value of the future lease payments.

In the Consolidated Financial Statements of Kirk Beauty One GmbH, the initial accounting of rights-of-use, mostly from store leases, as right-of-use assets and correspondingly as financial liabilities will lead to a significant rise in intangible assets and a corresponding increase in liabilities in the amount of €1.500 million up to €1.900 million (balance sheet extension). The subsequent measurement required by IFRS 16 will reduce lease expenses and result in improved EBITDA. Depreciation and amortization, as well as interest expenses, are likely to rise. At present, the impact cannot be measured reliably.

The date of first-time adoption for the Consolidated Financial Statements of Kirk Beauty One GmbH is October 1, 2019. The modified retrospective method was chosen for first-time adoption.

First-time adoption of IFRS 15 (Revenue from Contracts with Customers)

The new IFRS 15 replaces IAS 18 (Revenue) and IAS 11 (Construction Contracts) as well as associated interpretations and lays out a standardized and comprehensive model for recognizing revenue generated with customers. IFRS 15 also covers several issues such as how to treat rights of return, transactions on a commission basis, customer retention and customer loyalty programs. In addition, the required disclosures in the Notes to the Consolidated Financial Statements have been expanded considerably. IFRS 15 is effective for periods beginning on or after January 1, 2018. Kirk Beauty One GmbH therefore applied this standard for the first time on October 1, 2018.

A basic impact of IFRS 15 concerns options regularly granted as part of customer loyalty programs, to acquire additional goods or services at a discounted price in the future. With the initial sale, part of the transaction price must be allocated to the resulting option. Sales will be accrued as contract liability under other financial liabilities. Revenue recognition for the option occurs at the time the right is redeemed or expired.

The Douglas-Group has opted for retrospective application of IFRS 15 with recognition of the cumulative effects at the date of initial application as an adjustment to the opening balance of retained earnings. For reasons of materiality, the opening balance sheet value was not adjusted.

The first-time adoption of IFRS 15 did not result in any significant change in the timing of revenue recognition or in the allocation of the transaction price between the individual performance obligations for Kirk Beauty One GmbH.

First-time adoption of IFRS 9 (Financial Instruments)

As of October 1, 2018, the Group adopted IFRS 9 for the first time. IFRS 9 specifies the requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts for the

Notes to the Consolidated Financial Statements–(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

purchase or sale of non-financial contracts. This standard replaces IAS 39 (Financial Instruments: Recognition and Measurement).

As a result of the adoption of IFRS 9, the Group has implemented consequential amendments to IAS 1 (Presentation of Financial Statements), which require an impairment loss on financial assets in accordance with the expected credit loss model to be presented in a separate line item in the Consolidated Statement of Profit or Loss. This does not include impairment losses on receivables from Kirk Beauty Two GmbH (shareholder of the Group parent company), which are reported in financial result. Impairments of other financial assets are not reported separately in the Consolidated Statement of Profit or Loss for reasons of materiality, but in financial result, similar to the former presentation in accordance with IAS 39.

In addition, the Group has applied consequential amendments to IFRS 7 (Financial Instruments: Disclosures) to the Notes for the financial year 2018/19. These were not applied to the comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three basic categories for the classification of financial assets: measured at amortized cost, measured at fair through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL). Financial assets are classified in accordance with IFRS 9 based on the company's business model for managing financial assets and the characteristics of contractual cash flows. IFRS 9 eliminates the previous categories of IAS 39: held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts, where the basis is a financial asset within the scope of the standard, are never accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

The first-time adoption of IFRS 9 had no material impact on the Group's accounting policies with respect to financial liabilities and derivative financial instruments.

For an explanation on how the Group classifies and measures financial instruments and related gains and losses in accordance with IFRS 9, see Note 9, Financial result.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The following table and the accompanying disclosures explain the original IAS 39² and the new IFRS 9³ measurement categories as of October 1, 2018 for each class of financial assets and financial liabilities of the Group.

	Original classification IAS 39	New classification IFRS 9	Original carrying amount IAS 39 EUR m	New carrying amount IFRS 9 EUR m
Financial assets				
Receivables against shareholders	LaR	AC	578.4	503.2
Trade accounts receivable	LaR	AC	47.2	47.0
Derivative financial instruments	HfT	FVtPL	1.2	1.2
Equity participations	AfS	FVtPL	5.4	5.4
Other financial assets	LaR	AC	167.2	167.2
Total financial assets			799.4	724.0
Financial liabilities				
Purchase price liability arising from derivative financial instruments	OfL	OfL	6.1	6.1
Trade accounts payable	OfL	OfL	565.5	565.5
Liabilities to bank	OfL	OfL	1,670.5	1,670.5
Liabilities from Senior Secured Notes	OfL	OfL	297.9	297.9
Liabilities from Senior Notes	OfL	OfL	333.2	333.2
Liabilities from minority options	OfL	OfL	3.5	3.5
Liabilities from contingent considerations	FVtPL	FVtPL	7.4	7.4
Liabilities from contingent considerations	FVtPL	FVtPL	14.7	14.7
Other liabilities	OfL	OfL	3.9	3.9
Total financial liabilities			2,902.7	2,902.7

² Abbreviations used for categories of financial instruments according to IAS 39

LaR-Loans and receivables;
HfT - Held for trading;
AfS-Available-for-sale;
OfL-Other financial liabilities;
FVtPL-Fair value through profit or loss

³ Abbreviations used for categories of financial instruments according to IFRS 9

AC-Measured at amortized cost;
OfL-Other financial liabilities;
FVtPL-Fair value through profit or loss

The effects from the first-time adoption of IFRS 9 on the carrying amounts of financial assets as of October 1, 2018 solely result from the new regulations on the recognition of impairment losses.

Equity participations are investments that the Group intends to hold over the long term for strategic reasons. In accordance with IFRS 9, the Group designated these investments as "measured at fair value through profit or loss" on the transition date, as they were managed on the basis of fair values and their performance is monitored on this basis.

Trade accounts receivable and other receivables classified as "loans and receivables" in accordance with IAS 39 are now classified as "measured at amortized cost". An increase of €75.5 million in the allowance for these receivables was recognized in retained earnings as of October 1, 2018 with the transition to IFRS 9.

As a result of a revaluation, the carrying amount of trade accounts receivable decreased by €0.2 million from €47.2 million to €47.0 million and the carrying amount of receivables against shareholders by €75.2 million from €578.4 million to €503.2 million at the IFRS 9 transition date on October 1, 2018.

Impairment of financial assets

IFRS 9 replaces the "incurred losses" model of IAS 39 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets classified as "measured at amortized cost", contractual

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

assets and debt instruments classified as "measured at fair value through other comprehensive income", but not to equity investments held as financial assets. Under IFRS 9, credit losses are recognized earlier than under IAS 39 - see Note 14, Trade accounts receivable.

As of October 1, 2018 additional impairment losses result from the application of the impairment requirements of IFRS 9. Of these losses, €0.2 million relate to trade accounts receivable and €75.2 million to long-term loan receivables. After deferred taxes, a total effect of €51.3 million was recorded in other reserves in equity.

Transition

Regarding the changes in accounting policies resulting from the first-time application of IFRS 9:

In exercising its exemption option, the Group has not restated comparative information for the prior period. Differences between the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 are generally recognized in retained earnings and other reserves as of October 1, 2018. To this extent, the information presented for 2017/18 does not comply with the requirements of IFRS 9, but with those of IAS 39.

The determination of the business model under which a financial asset is held is based on the facts and circumstances that existed at the date of first-time adoption.

3. Consolidation principles

Group of consolidated companies

All the German and foreign companies over which Kirk Beauty One GmbH has direct or indirect control are fully consolidated in the Consolidated Financial Statements. Control exists when Kirk Beauty One GmbH obtains power over an investee, when Kirk Beauty One is exposed to variable returns from its investments with the investee and when it is able to influence these returns. These companies are fully consolidated when the Group obtains control and deconsolidated when control ceases.

	Germany 21	Other countries 43	Total 64
10/01/2018			
companies consolidated for the first time	2	1	3
deconsolidated companies	1	0	1
merged companies	0	7	7
09/30/2019	22	37	59

Two companies in which the Group does not hold a majority stake, but on which the Group does have a significant influence, were not recognized using the at-equity method. These companies solely provide intercompany services for the Douglas-Group and are of minor importance to the net assets, financial position and results of operations of the Group due to their extremely low business volumes. In addition, some of these companies have different balance sheet dates and do not prepare interim financial statements. Because of this, no financial information regarding these companies is available as of the balance sheet date and the fair values cannot be reliably determined. The carrying amount of these investments recognized under financial assets amounts to €38 thousand in total.

Acquisitions

"Niche Beauty" acquisition

On July 16, 2019 Douglas acquired a 51 percent majority interest in Niche-Beauty.COM GmbH, Hamburg, an up-and-coming online portal exclusively for exceptional international premium cosmetics brands, with the aim of further expanding Douglas' position in the attractive luxury segment. The online shop is operated under the domain "www.niche-beauty.com". The financial year under review of Niche-Beauty.COM GmbH ends on December 31, 2019. The purchase price for the 51 percent stake amounted to €3.5 million. The remaining 49 percent of the shares were acquired with economic effect from January 1, 2022 and subject to

Notes to the Consolidated Financial Statements--(Continued)

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the condition precedent of payment of the second purchase price tranche. This leads to the application of the anticipated acquisition method and thus to a 100 percent recognition of the shares. The purchase price of the 49 percent stake is also determined by the achievement of certain economic performance indicators (sales and EBITDA). The lower limit is €3.5 million, the upper limit €6.0 million. The purchase price liability for the second tranche was recognized at its discounted expected value of €5.2 million. The expected value was determined on the basis of an equal distribution of the performance indicators within a range around the target achievement level. In addition, a call put option agreement was concluded. This was not taken into account when determining the fair value for the second purchase price tranche, as exercising the options was not considered economically viable. The call option can be exercised at any time before January 1, 2022. The call option price depends on the exercise date and the performance indicators achieved up to this date. The put option is generally subject to the same conditions; for the period after the exercise date, a discount to the minimum amount must also be taken into account.

Calculation of Goodwill	EUR m
Purchase price	8.7
Acquired net assets	1.3
Goodwill	7.4

The purchase price allocation was provisional. The final purchase price allocation will be completed a maximum of one year after the acquisition date (July 16, 2020). As part of the preliminary purchase price allocation, the "Niche Beauty" brand was recognized at €0.9 million. The valuation was conducted according to the income approach using the relief from royalty method. The customer relationships associated with the customer data of the online shop were identified as an asset and recognized at €1.1 million. The valuation of customer relationships was conducted according to the capital market approach using the residual value method. The disclosure of hidden reserves increased inventories by €0.2 million. They were measured at fair value, based on the selling prices less the necessary selling costs and less an appropriate profit margin for the acquirer. The disclosure of hidden reserves resulted in the recognition of deferred tax liabilities in the amount of €0.7 million. Deferred tax assets of €0.1 million were recognized on tax loss carryforwards.

The consideration in excess of the fair value of the net assets acquired was recognized as goodwill in the Consolidated Statement of Financial Position. The goodwill reflects the expected synergies, which mainly result from a strengthened market position and the Niche Beauty web shop. Goodwill was allocated to the operating segment Germany. During the time of affiliation to the Group, Niche Beauty generated sales of €1.2 million and earnings before taxes (EBT) of minus €0.1 million. If Niche Beauty had already been included in the Consolidated Financial Statements since the beginning of the financial year on October 1, 2018, sales would have been higher by around €7.4 million and earnings before taxes lower by around €0.3 million. The receivables correspond to their nominal value, which will also be settled.

Acquisition of assets and liabilities	Carrying amounts upon acquisition as of August 1, 2019 EUR m	Fair Values after the purchase price allocation as of August 1, 2019 EUR m
Other intangible assets	0.6	2.6
Inventories	0.9	1.1
Receivables	0.4	0.4
Deferred tax assets	0.0	0.1
Financial liabilities	0.9	0.9
Trade accounts payable	1.2	1.2
Deferred tax liabilities	0.0	0.7
Tax liabilities	0.1	0.1

„Parfumdreams“ acquisition

The purchase price allocation was completed without changes to previous year's financial statements.

Consolidation methods

Capital consolidation is conducted by offsetting acquisition costs against the Group's interest in the consolidated subsidiary's net assets at fair value on the acquisition date. Any positive differences are capitalized as goodwill and tested annually for impairment. Any negative differences are recognized in profit or loss. Any identifiable net assets including hidden reserves and liabilities due to minority shareholders are carried as non-controlling interests.

Notes to the Consolidated Financial Statements--(Continued)

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Receivables from and corresponding payables to consolidated companies are eliminated against each other. Interim profits from delivery of goods and rendering of services within the Group are eliminated in the Consolidated Financial Statements to the extent that these do not relate to sales realized with third parties. Sales and other income from intercompany delivery of goods and rendering of services are offset against corresponding expenses.

4. Currency translation

These Consolidated Financial Statements are presented in euros (Group currency), the functional currency of the Group parent company. The annual financial statements of foreign subsidiaries whose functional currency is not the same as the Group currency are translated into euros according to the functional currency concept. The functional currency of the subsidiaries is the currency of the main economic area in which the subsidiary operates. This is generally the respective national currency.

The assets and liabilities are translated using the exchange rate on the balance sheet date; income and expenses are converted at the average exchange rate for the period. The resulting currency translation differences are recognized directly in equity under other comprehensive income and within reserves in equity.

The following exchange rates were used for currency translation for the annual financial statements of foreign subsidiaries denominated in foreign currencies.

		Average exchange rate 10/01/2018- 09/30/2019 EUR	Closing rate 09/30/2019 EUR	Average exchange rate 10/01/2017- 09/30/2018 EUR	Closing rate 09/30/2018 EUR
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.89074	0.92191	0.86098	0.88370
Czech Koruna	CZK	0.03885	0.03874	0.03908	0.03886
Croatian Kuna	HRK	0.13490	0.13493	0.13429	0.13451
Hungarian Forint	HUF	0.00310	0.00299	0.00316	0.00308
Polish Zloty	PLN	0.23252	0.22840	0.23565	0.23379
Romanian Lei	RON	0.21191	0.21054	0.21533	0.21442
Turkish Lira	TRY	0.15813	0.16263	0.19052	0.14358
U.S. Dollar	USD	0.88646	0.91836	0.83990	0.86386

Foreign currency transactions are recognized in the functional currency as translated at the applicable exchange rate at the time of the transaction. Assets and liabilities nominally denominated in such foreign currencies are translated at the exchange rate on the balance sheet date. All differences resulting from currency translation are recognized in profit or loss in the Consolidated Statement of Profit or Loss. Income resulting from exchange rate differences totaled €0.6 million (prior year: €0.6 million). Expenses from exchange rate differences totaled €1.3 million (prior year: €1.0 million).

5. Accounting and valuation principles

Intangible assets

Goodwill arising from capital consolidation, which represents the excess of acquisition cost over the fair value of identifiable net assets acquired, is recognized according to the requirements of IFRS 3 and tested for impairment annually or upon occurrence of a triggering event.

For the purposes of impairment testing, goodwill is allocated to the group of cash-generating units (CGU) that is expected to profit from synergies arising from the acquisition. A cash-generating unit (CGU) is defined as an individual retail store or an online shop. The ceiling for goodwill allocation is generally determined by the operating segment and hence the respective stand-alone country in which Douglas operates.

If, as part of this impairment test, the company determines that the recoverable amount of the group of CGUs is less than its carrying amount, associated goodwill is written down and recognized in profit or loss. An impairment loss in respect of goodwill is not reversed even if the reasons for the impairment cease to exist in subsequent periods.

Notes to the Consolidated Financial Statements--(Continued)

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Other intangible assets are carried at (amortized) cost. There are no qualifying assets within the meaning of IAS 23 within the Douglas-Group, so that borrowing costs are not included when calculating acquisition costs. Intangible assets with definite useful lives are subject to straight-line amortization over their useful lives and are depreciated on a "pro rata temporis"-basis in the year of purchase.

Intangible assets with indefinite useful lives are not amortized. These assets are reviewed for impairment at least once a year if there are indications of impairment. If the recoverable amount is below the carrying amount, the asset is written down to its fair value.

Intangible assets with an indefinite useful life are the trademarks Douglas and Nocibé and leasehold rights in France.

Intangible assets that are subject to amortization are only subject to an impairment test if there are triggering events indicating impairment.

Reviews must be carried out in subsequent years to see if indications of impairment exist to suggest that an impairment made in the prior years no longer exists or has been reduced. If this is the case, the impairment is reversed up to the recoverable amount, but to a maximum of the amortized carrying amount.

Property, plant and equipment

Items of property, plant and equipment are carried at (amortized) cost. There are no qualifying assets within the meaning of IAS 23 within the Douglas-Group, so that borrowing costs are not included when calculating acquisition costs. Items of property, plant and equipment are subject to straight-line depreciation over their (expected) useful lives and are depreciated on a "pro rata temporis"-basis in the year of purchase.

Restoration obligations for leasehold improvements arise from the contracts for leased premises, whose discounted values are recognized as provisions. The discounted value of the obligation is part of the leasehold improvement acquisition costs and depreciated over the expected useful life.

An impairment test is conducted for the corresponding asset if indications of impairment exist. Tangible assets are derecognized when removed or further economic benefits are no longer expected from that asset's use. The gain or loss from the disposal of the asset arises from the difference between its net realizable value and carrying amount.

The useful lives underpinning the straight-line amortization and depreciation for intangible assets and property, plant and equipment are determined on the basis of the **estimated useful lives** for each asset class and are as follows.

<u>Class of non-current assets</u>	<u>Years</u>
Software	3-5
Leasehold rights that do not have indefinite useful lives	2-15
Customer bases	5-10
Buildings	10-50
Store fittings, office and operating equipment	3-10

Leases

Leases are accounted for in line with the requirements of IAS 17.

The economic ownership of a leased asset is allocated to that contractual party which bears the main risks and rewards incident to ownership of the leased asset. Material lease arrangements relate to the leasing of retail stores. In order to ensure the greatest possible flexibility, the Group fundamentally concludes rental agreements with a base rental period of no more than ten years and single or multiple exercisable options to extend the lease. In classifying lease agreements, consideration is given to the base lease term and the exercise of one renewal option based on experience on the condition that the Group lessee company possesses this option and it is likely that it will be exercised. These leasing agreements qualify as operating leases, as the base lease term plus one renewal option does not exceed the significant part of the economic useful life of the rented premises.

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Financial assets

Except for current trade accounts receivable and derivatives, all financial instruments are recognized on the settlement date. Trade accounts receivable are recognized at the date on which they arise. Derivatives that are allocated to the "measured at fair value through profit or loss" category are recognized on the trade date.

All financial instruments must be measured at fair value upon initial recognition. If financial instruments are not subsequently measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are recognized additionally. Current trade accounts receivable are initially measured at the transaction price.

Financial assets are measured at amortized cost if they are held within a business model solely for the purpose of collecting the contractual cash flows (business model "hold") and the contractual terms only result in interest and principal payments on the outstanding principal amount at specified points in time.

Debt instruments are measured at fair value through other comprehensive income if they are held as part of a business model to collect the contractual cash flows and to sell the financial assets (business model "hold and sell") and the contractual terms only result in interest and principal payments on the outstanding principal amount at specified points in time.

On initial recognition of an equity investment (e.g. an equity participation) that is not held for trading purposes, the Group may irrevocably elect to recognize consequential changes in fair value through other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets are derecognized either upon settlement or when all main opportunities and risks are transferred.

Financial assets denominated in a foreign currency are translated to the functional currency at the date of acquisition. An adjustment to the respective closing rate is made on each balance sheet date and recognized in profit or loss. Interest income and expense relating to financial assets are matched to the period in the financial result.

Financial liabilities are derecognized when the contractual obligations have been fulfilled, cancelled or expired. The Group also derecognizes a financial liability when its contractual terms are modified and the cash flows of the modified liability are significantly different.

Fair value measurement

The input factors used to determine fair value are divided into three hierarchy levels (Level 1, Level 2 and Level 3). Fair value is the price at which an asset would be sold or a liability transferred in an orderly transaction on the principal market or, if none exists, in the most advantageous market to which the Group has access on the measurement date. The fair value of a liability reflects the risk of non-performance. Fair value measurements based on Level 1 input factors are price quotations in active markets that can be determined for the asset being measured, such as quoted prices. Fair value measurements based on factors whose measurement can be derived directly or indirectly from observable market data fall under Level 2. The valuation technique used incorporates all factors that market participants would consider in determining the price of such a transaction. The valuation on Level 3 is based on pricing models which are based on input factors that are not observable in the market.

Kirk Beauty One Group only measures interest rate caps and options held by non-controlling interests at fair value.⁴ The fair value measurement of interest rate caps falls under the second hierarchy level (level 2), as the valuation is based on observable market interest rates.

⁴ 4 Cf. No. 26, Fair value of financial instruments

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Kirk Beauty One Group measures liabilities from contingent purchase price payments at fair value.⁵ The input factors on which the valuation is based are assigned to level 2 or level 3 of the valuation hierarchy.

Amortized cost

Amortized cost is determined on acquisition using the effective interest method, less any impairment, and taking into account discounts and premiums, including directly attributable transaction costs and fees that form an integral part of the effective interest rate.

For current assets and liabilities, the carrying amount is regarded as an appropriate approximation of fair value due to the short period between their recognition and maturity.

Derivative financial instruments

Kirk Beauty One GmbH uses derivative financial instruments, such as interest rate derivatives, to hedge against currency and interest rate risks. In accordance with IFRS 9, these financial instruments are recognized at fair value at the time the contract is concluded and measured at fair value in subsequent periods. The fair value of derivative financial instruments is recognized as an asset if it is positive and as a liability if it is negative.

Derivative financial instruments are held exclusively for hedging purposes and carried at fair value. Gains or losses from changes in fair value are recognized immediately in financial income or expenses. Kirk Beauty One GmbH does not apply the special regulations for hedge accounting.

In addition to derivative financial instruments, derivatives embedded in financial liabilities are also separated if they are derivatives in themselves, if the hybrid financial instrument is not measured at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the financial liability.

For derivative financial instruments, the fair value corresponds to the amount that the Group company would either receive or have to pay upon termination of the financial instrument on the balance sheet date. The fair value is determined taking into account the interest rates and forward rates applicable on the balance sheet date.

Subsequent measurement and gains and losses

Net gains and losses, including interest and dividend income from financial instruments measured at fair value through profit or loss, are recognized in profit or loss.

Financial instruments measured at amortized cost are measured using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, exchange rate differences and impairments are recognized in profit or loss. Gains or losses from derecognition are also recognized in profit or loss.

Impairment of financial assets

The Group recognizes valuation allowances for expected credit losses on financial assets that are not measured at fair value through profit or loss. For these financial assets - with exception of trade accounts receivable, which are subject to a simplified approach - the expected credit loss within the following twelve months is determined upon initial recognition in level 1 of the "expected credit loss model". If there is a significant increase in credit risk, it is transferred to level 2 of the model. For these financial instruments and for trade accounts receivable, life-long credit losses are determined on level 2 of the general model. If there is objective evidence of impairment, the financial assets are assigned to level 3 of the model. The expected credit losses are determined on an individual item basis depending on various factors, e.g. past due, counterparties and country risks.

Cash and cash equivalents measured at amortized cost are subject to the general model of expected credit losses. As the counterparties are exclusively counterparties with at least an investment grade rating (BBB+ or higher), a low credit risk is assumed for these financial instruments.

⁵ 5 Cf. No. 26, Fair value of financial instruments

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

If the requirements for a low credit risk are not met, an assessment of the change in credit risk is required. In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, Kirk Beauty One GmbH takes into account appropriate information that is relevant and available without undue expense of time and money. For other financial assets carried at amortized cost, the credit risk is continuously monitored on the basis of bond quotes and ratings if these are available in liquid form. Furthermore, a significantly increased credit risk is assumed when a financial asset is more than 30 days overdue.

There is objective evidence of impairment if Kirk Beauty One GmbH anticipates adverse effects on expected cash flows. These include, for example, significant financial difficulties on the part of the issuer or debtor, indications of insolvency or other restructuring proceedings as well as deterioration in market conditions. In this sense, financial assets are deemed to have defaulted if they are more than 90 days overdue. The gross carrying amount of a financial asset is written down if a reasonable estimate is that the financial asset will not be recoverable in full or in part.

Expected credit losses over the lifetime of the financial instrument are expected credit losses resulting from all possible default events during the expected lifetime of the financial instrument.

12-months credit losses are the portion of expected credit losses resulting from default events that are possible within twelve months of the reporting date (or a shorter period if the expected maturity is less than twelve months).

Expenses or income from impairment losses or reversals of impairment losses for expected credit losses on financial assets are reported under the line item "Result from impairments on financial assets" in the Consolidated Statement of Profit or Loss. Impairment losses for financial assets in the general approach are insignificant.

Trade accounts receivable and other receivables

Trade accounts receivable are recognized at the transaction price and other receivables are recognized at fair value at the time of revenue recognition. Allowances are made for impaired receivables. All discernible risks and value-reducing factors are taken into account on the basis of an analysis as of the balance sheet date. Doubtful but not uncollectible receivables are carried at their probable recoverable amount at the balance sheet date. Irrecoverable receivables are written off in full.

Cash and cash equivalents

Cash and cash equivalents, which include money accounts and short-term money deposits with banks, are measured at amortized cost, based on the business model „hold“ and the fulfilment of the cash flow criterion, and have residual terms of a maximum of three months at the point of acquisition.

Income taxes

Tax expenses comprise both current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except for those associated with a business combination or items recognized directly in equity or in other comprehensive income.

Current taxes

Current taxes constitute anticipated tax liabilities or assets on the taxable income or loss generated in the reporting period, calculated on the basis of tax rates applying on the balance sheet date or shortly afterwards, as well as adjustments to tax liabilities or assets in previous periods. The amount of the anticipated tax liabilities or assets represents a best estimate in consideration of uncertain tax situations, if applicable. Current tax liabilities also include all tax liabilities resulting from the declaration of dividends.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts in the Consolidated Financial Statements and the tax base to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations which are expected to be in force when the differences are reversed. Deferred tax assets are only recognized to the extent that there is taxable income expected on the date on which the difference is reversed.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

If the future tax advantage from loss carryforwards can be utilized with sufficient certainty in future periods, deferred tax assets are recognized. Deferred tax assets are offset against deferred tax liabilities if such liabilities exist against the same tax authority.

Inventories

Merchandise is recognized at the lower of cost and net realizable value. Acquisition costs are identified either by using the average cost method or, in some minor countries, by using the retail method based on the selling price using reasonable valuation allowance deductions. Interest on borrowings is not included in the acquisition costs, as inventories, most of which constitute acquired trading merchandise, are not qualifying assets as defined by IAS 23. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to sell the inventory. Ageing as well as fashion and other risks were considered, to the extent needed, as part of measurement at the net realizable value. Raw materials, consumables and supplies are recognized at their acquisition costs.

Provisions

Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and if the future cash outflow to fulfill this commitment can be estimated reliably. The carrying amount of the provision is based—for individual risks—on the best estimate of the settlement considering all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are recognized at their present value as of the balance sheet date. The maturity of long-term human resources commitments is based on the date the employee leaves the company or on the timing of forecasted cash outflows. The maturity of long-term real estate commitments is based on the term of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restoration obligations are recognized if contractual agreements and experience show that there is a probability of at least 50 percent that claims will be made against Kirk Beauty One Group from this obligation. Provisions for onerous contracts are recognized if the unavoidable costs associated with fulfilling a contractual obligation are higher than the financial benefit expected to be drawn from the contract. When assessing provisions for deficient lease contracts, leased properties are viewed in isolation and a provision is recognized in the amount of the present value of any potential shortfall. Costs incurred over the base lease term are taken into consideration if they are attributable to the lease contract. Options to decommission, close or sub-let a site are also taken into consideration if there is a legal right to do so and the costs associated with exercising this option constitute the least significant, unavoidable obligations to fulfil the contract. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized as of the balance sheet date. This is the case if a detailed restructuring plan has been formally adopted and its key elements communicated vis-à-vis those affected or if the implementation of the plan has already begun. Restructuring provisions only comprise obligatory restructuring expenses.

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations of provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the balance sheet date are taken into account as well as the increases in salaries and pensions to be expected in future. For funded pension plans, the same interest rate chosen to determine interest expenses resulting from the measurement of obligations is also to be used to calculate interest income from plan assets. If changes to these calculation assumptions result in differences between the identified pension obligations and the pension obligations determined as of the balance sheet date, actuarial gains or losses arise. These actuarial gains and losses and other valuation changes are recognized directly in other comprehensive income and within reserves in equity.

Plan assets designated at fair value and liabilities from pension plans are presented in a net amount. Plan assets are maintained in qualified policies that are pledged to the employees. The interest portion included in pension expense is presented as interest expense within the financial result. Obligations similar to pension provisions such as part-time work schemes and termination benefits are also disclosed according to the requirements of IAS 19.

Financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs are included in the recognition of financial liabilities. If there is a difference between the amount paid and the amount to be paid upon final maturity, this difference is amortized over the term

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

according to the effective interest rate method. Financial liabilities are derecognized when the obligation is extinguished or expired (limitation of time). A financial liability is also derecognized if there has been a material change in the contractual terms of an existing financial liability or part thereof. All trade accounts payable have a maturity of less than one year and are non-interest bearing. Kirk Beauty One Group recognizes liabilities at amortized costs comprising liabilities to banks, liabilities from Senior Notes and trade accounts payable. The election to initially recognize financial liabilities at fair value through profit or loss was not applied by the Kirk Beauty One Group.

Contract liabilities

Participants in the Douglas-Group's customer loyalty programs receive bonus points from purchases made, which they can exchange for discount vouchers for subsequent purchases when certain thresholds are reached.

The bonus points represent independently identifiable goods or services within the meaning of IFRS 15 and are therefore to be recognized as a separate performance obligation.

Upon purchase, the transaction price is allocated to the independent performance obligations on the basis of the relative individual sale prices. For the Douglas-Group, the transaction price corresponds to the sales price of the goods and services purchased by the customer. In the absence of observable individual sales prices for the bonus points, these are estimated on the basis of the price discount, taking into account probabilities of redemption.

A contract liability is recognized under other financial liabilities in the amount of the performance obligation attributable to the bonus points granted. The contractual liability is released when the bonus points are redeemed or expire.

Derivative financial instruments and hedging relationships

Derivative financial instruments are in place to reduce cash flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes.

Derivative financial instruments are recognized at fair value both upon initial and subsequent measurement and can result in a positive or negative figure. Gains and losses from fair value measurement, to the extent that they relate to designated derivative financial instruments qualifying as hedged items, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting. Derivative financial instruments that do not qualify as hedged items to hedge against cash flow risks are measured at fair value and recognized in profit or loss. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged cash flows from the underlying transaction are recognized in the Consolidated Statement of Profit or Loss.

The fair value of derivative financial instruments corresponds to the amount the Group company either would have to pay or would receive upon termination of the financial instrument on the balance sheet date. The calculation of the fair value takes into account the interest rates and forward rates in effect as of the balance sheet date. Derivative financial instruments are only used as cash flow hedges. By way of such cash flow hedges, the Kirk Beauty One Group hedged the exposure to future variability in cash flows attributable to interest rate risks.

With regard to currency rate risks non-derivative financial liabilities as part of a net investment hedge are implemented to cover currency rate risks arising from net investments in non-Group foreign currencies. Accounting for net investment hedges generally follows the rules for cash flow hedges.

No business transactions to be recognized under the rules for hedge accounting existed either as of the balance sheet date or as of the prior-year balance sheet date.

Revenue recognition

Sales are recognized on delivery of goods or after the performance of a service is complete. Obligations from customer loyalty programs, such as bonus points, are measured at fair value and offset directly against sales. Sales arising therefrom are first recognized upon redemption of the bonus points.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Deferred sales are reversed or utilized in line with the way customers redeem their gift vouchers and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of judgements

Judgement was applied in particular in relation to the assessment of the level of control in determining the scope of consolidation⁶ and to determine whether leases were operating leases or finance leases⁷. In applying IFRS 9 for the first time, the calculation of valuation allowances is also based on discretionary decisions, in particular with regard to the probability of scenarios occurring and credit risk (loss rate).

Assumptions and estimates

Assumptions and estimates have been made in the preparation of the Consolidated Financial Statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lives⁸, valuing provisions and pension provisions⁹, assessing the impairment of goodwill¹⁰, measuring provisions¹¹ and uncertain tax positions and measuring instruments which are issued as part of share-based payment programs¹² as well as estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the fair values and acquisition costs associated with business combinations. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known.

6. Other operating income

	10/01/2018– 09/30/2019 EUR m	10/01/2017– 09/30/2018 EUR m
Income services rendered to third parties	206.7	185.0
Income from leasing and sub-leasing	18.1	21.6
Income from disposal of assets	10.4	1.5
Income from customer cards	12.1	12.6
Income from reversal of provisions	12.9	26.5
Income from commissions	3.5	3.6
Income from the derecognition of liabilities	2.7	2.8
Income from insurance claims	2.3	1.5
Other income	27.1	29.4
Total	295.8	284.5

7. Personnel expenses

	10/01/2018– 09/30/2019 EUR m	10/01/2017– 09/30/2018 EUR m
Wages and salaries	521.8	501.0
Social security, pensions and other benefits costs	120.9	116.4
Total	642.7	617.3

⁶ Cf. No. 3, Group of consolidated companies

⁷ Cf. No. 5, Leases

⁸ Cf. No. 11, Intangible assets and property, plant and equipment

⁹ Cf. No. 20, Provisions and No. 19, Pension provisions

¹⁰ Cf. No. 11, Intangible assets and property, plant and equipment

¹¹ Cf. No. 20, Provisions

¹² Cf. No. 29, Other explanatory notes

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

8. Other operating expenses

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
Rent and utilities	358.2	355.2
Other services	124.6	125.5
Goods handling costs	99.7	89.1
Marketing and advertising costs	201.8	187.4
IT costs	29.1	24.2
Expenses from sub-leasing	10.3	13.1
Repair costs	11.6	11.8
Fees and contributions	13.9	11.9
Travel and vehicle expenses	9.4	10.1
Equipment and consumables	11.3	10.5
Office costs and postage	10.0	9.9
Credit card fees	13.6	11.4
Other expenses	49.8	43.5
Total	<u>943.2</u>	<u>903.5</u>

9. Financial result

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
Income from other investments	0.7	0.4
Interest from loans and receivables	45.7	32.4
Income from non-controlling options	0.0	0.0
Income from discounting pension provisions	0.0	0.0
Income from discounting other provisions	0.0	0.0
Income from financial assets / liabilities at fair value	0.0	0.0
Income from foreign exchange differences	0.6	0.6
Result from impairments on financial assets	11.9	0.0
Total financial income	<u>58.9</u>	<u>33.4</u>
Interest expense from compounding other provisions	(0.2)	(0.2)
Interest expense from compounding pension provisions	(0.6)	(0.7)
Expense from non-controlling options	(1.3)	(5.0)
Expense from foreign exchange differences	(1.3)	(1.0)
Expense for financial liabilities at amortized cost	(119.6)	(113.1)
Expense for financial assets / liabilities at fair value	(1.4)	(5.1)
Total financial expense	<u>(124.4)</u>	<u>(125.0)</u>
Financial result	<u>(65.5)</u>	<u>(91.6)</u>

The financing expense for the non-controlling options relates to the results of third-party shareholders—whose interests are reported as payables, as these either have an option right or involve German partnerships—as well as the effect of revaluation as of the balance sheet date.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Net result by valuation category

The following table shows the net result by valuation category for the period ended September 30, 2019.

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Total EUR m
Measured at amortized cost			11.9		45.6		57.5
Other liabilities						(119.6)	(119.6)
At Fair Value through profit or loss	(1.7)			0.7		(1.0)	(2.0)
Net profit by valuation category	(1.7)	0.0	11.9	0.7	45.6	(120.6)	(64.1)
Interest income/expenses of items that are not financial instruments		(0.7)			0.1	(0.8)	(1.4)
Financial result	(1.7)	(0.7)	11.9	0.7	45.7	(121.4)	(65.5)

The following table shows the net result by valuation category for the period ended September 30, 2018.

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Total EUR m
Loans and receivables					32.0		32.0
Other liabilities						(113.1)	(113.1)
Available for sale				0.4			0.4
At Fair Value through profit or loss	(8.3)					(1.7)	(10.0)
Net profit by valuation category	(8.3)	0.0	0.0	0.4	32.0	(114.8)	(90.7)
Interest income/expenses of items that are not financial instruments		(0.4)			0.4	(0.8)	(0.9)
Financial result	(8.3)	(0.4)	0.0	0.4	32.4	(115.6)	(91.6)

As in the previous year, impairment losses on trade accounts receivable classified to the category "measured at amortized cost" are reported under other operating expenses, unless they are determined using the expected credit loss model according to the first-time adoption of IFRS 9. These impairment losses are shown separately in the income statement. Fair value measurement of financial assets classified to the category "at fair value through profit or loss" leads to a financial expense of €1.7 million (prior year: €8.3 million) in the financial year.

10. Income taxes

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
Current tax result	74.9	46.0
<i>thereof domestic (Germany)</i>	30.7	10.5
<i>thereof foreign entities</i>	44.2	35.5
Deferred taxes	(11.6)	(19.0)
<i>thereof from temporary differences</i>	(16.2)	(15.4)
<i>thereof from loss carryforwards</i>	4.6	(3.6)
Total	63.3	27.0

The expected weighted tax rate (32 percent) is basically the same as the tax rate of the Group parent company. For comparison purposes, the expected tax rate for the previous year was adjusted accordingly.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Irrespective of whether the earnings contributions of the individual Group companies are positive or negative, the weighted average tax rate would be 28.75 percent (prior year: 29.7 percent).

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
Earnings before tax (EBT)	80.5	(263.2)
Expected tax rate	32.0%	32.0%
Expected tax expense/income	25.7	(84.2)
Tax rate effects from domestic and cross border tax jurisdictions	(8.6)	(6.1)
Trade tax modifications (additions / reductions)	4.7	(1.9)
Non-period income tax expense/income	27.0	8.4
Non-deductible tax operating expenses	7.4	23.1
Unrecognized deferred tax assets due to operating losses	9.1	20.0
Utilization of unrecognized tax assets due to operating losses	(2.3)	0.0
Differences mainly resulting from non-consideration of impairments on goodwill ..	0.0	63.9
Other	0.3	3.8
Current tax expense	63.3	27.0

The non-deductible tax operating expenses are mainly due to non-deductible interest in connection with the so-called interest barrier regulation in Germany.

11. Intangible assets and property, plant and equipment

Intangible assets – financial year 2018/19

	Leasehold interests and similar rights and assets EUR m	Goodwill EUR m	Advance payments for intangible assets EUR m	Total EUR m
Acquisition costs				
10/01/2018	1,103.0	1,904.7	4.9	3,012.6
Currency translation adjustments	0.1			0.1
Increases/decreases resulting from business combinations	2.8	7.3		10.1
Additions	31.6		3.7	35.3
Disposals	(5.0)		(0.2)	(5.2)
Reclassifications	4.3		(4.6)	(0.3)
09/30/2019	1,136.8	1,912.0	3.8	3,052.6
Accumulated amortization				
10/01/2018	253.7	398.3	0.0	652.0
Currency translation adjustments	0.1			0.1
Amortization	51.1		0.2	51.3
Impairment	7.4			7.4
Disposals	(4.8)		(0.2)	(5.0)
Reclassifications	(0.8)			(0.8)
09/30/2019	306.7	398.3	0.0	705.0
Net amounts				
09/30/2019	830.1	1,513.7	3.8	2,347.6

The addition to goodwill of €7.3 million relates in full to the acquisition of Niche Beauty. Of the additions to leasehold interests and similar rights and assets, €0.9 million relate to internally generated intangible assets.

Notes to the Consolidated Financial Statements–(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Intangible assets – financial year 2017/18

	Leasehold interests and similar rights and assets EUR m	Goodwill EUR m	Advance payments for intangible assets EUR m	Total EUR m
Acquisition costs				
10/01/2017	989.1	1,738.8	3.0	2,730.9
Increases/decreases resulting from business combinations	103.5	166.3		269.8
Additions	14.1		2.3	16.4
Disposals	(5.4)	(0.4)		(5.8)
Reclassifications	1.7		–0.4	1.3
09/30/2018	<u>1,103.0</u>	<u>1,904.7</u>	<u>4.9</u>	<u>3,012.6</u>
Accumulated amortization				
10/01/2017	151.6	214.2	0.0	365.8
Amortization	80.4			80.4
Impairment	26.5	184.5		211.0
Disposals	(4.8)	(0.4)		(5.2)
09/30/2018	<u>253.7</u>	<u>398.3</u>	<u>0.0</u>	<u>652.0</u>
Net amounts				
09/30/2018	<u>849.3</u>	<u>1,506.4</u>	<u>4.9</u>	<u>2,360.6</u>

Property, plant and equipment – financial year 2018/19

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2018	527.6	630.1	36.7	1,194.4
Currency translation adjustments	(0.1)	(0.6)		(0.7)
Additions	23.0	43.4	6.8	73.2
Disposals	(63.3)	(28.1)	(1.6)	(93.0)
Reclassifications	9.9	12.1	(21.7)	0.3
09/30/2019	<u>497.1</u>	<u>656.9</u>	<u>20.2</u>	<u>1,174.2</u>
Accumulated amortization				
10/01/2018	392.6	488.6	0.0	881.2
Currency translation adjustments	0.2	(0.3)		(0.1)
Depreciation	26.2	43.8		70.0
Impairment	2.4	4.8	0.6	7.8
Disposals	(50.2)	(27.5)	(0.6)	(78.3)
Reclassifications	0.8			0.8
09/30/2019	<u>372.0</u>	<u>509.4</u>	<u>0.0</u>	<u>881.4</u>
Net amounts				
09/30/2019	<u>125.1</u>	<u>147.5</u>	<u>20.2</u>	<u>292.8</u>

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Property, plant and equipment – financial year 2017/18

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2017	513.6	582.3	12.7	1,108.6
Currency translation adjustments	0.2	0.2		0.4
Increases/decreases resulting from business combinations	1.8	22.9		24.7
Additions	26.0	49.5	34.5	110.0
Disposals	(16.0)	(29.7)	(2.3)	(48.0)
Reclassifications	2.0	4.9	(8.2)	(1.3)
09/30/2018	<u>527.6</u>	<u>630.1</u>	<u>36.7</u>	<u>1,194.4</u>
Accumulated amortization				
10/01/2017	379.3	466.4	0.0	845.7
Currency translation adjustments	0.2	0.1		0.3
Depreciation	25.8	45.6		71.4
Impairment	3.2	5.5	1.7	10.4
Disposals	(15.8)	(28.9)	(1.7)	(46.4)
09/30/2018	<u>392.6</u>	<u>488.6</u>	<u>0.0</u>	<u>881.2</u>
Net amounts				
09/30/2018	<u>135.0</u>	<u>141.5</u>	<u>36.7</u>	<u>313.2</u>

Depreciation/amortization amounted to €121.3 million (prior year: €151.8 million).

Impairment tests for property, plant and equipment at store level, as cash-generating units (CGUs), lead to write-downs totaling €7.8 million (prior year: €10.4 million), of which €4.3 million (prior year: €6.0 million) were attributable to the geographical segment Germany, €2.1 million (prior year: €0.2 million) to France, €0.8 million (prior year: €2.9 million) to South-Western Europe and €0.6 million (prior year: €1.3 million) to Eastern Europe. Impairment tests are performed on stores if they provide ongoing negative profit contributions or are planned to be closed.

For impairment testing the carrying amount of the CGU or rather groups of CGUs is compared to its recoverable amount. The recoverable amount is calculated as being the value in use based on discounted future cash flows from internal forecasts. Planning assumptions include sales growth, gross profit/EBITDA forecasts, estimates of replacement investments in the store network, the ratio of personnel expenses to sales and other cost ratios relating to individual stores. The forecasts are based on the residual term of the respective lease agreements excluding any extension options. The forecast term is between one and ten years. Calculations are based on interest rates of between 5.1 percent and 9.2 percent before taxes.

The carrying amount of intangible assets with indefinite useful lives amounted to a total of €2,253.9 million (prior year: €2,250.4 million) as of the balance sheet date, of which €1,513.7 million (prior year: €1,506.4 million) is attributable to goodwill. A further €534.4 million is attributable to the Douglas brand, as in the prior year, and €172.7 million to the Nocibé brand, as in the prior year. As the brands are powered by ongoing brand maintenance measures, the Group considers their useful lives to be indefinite. The Douglas brand was allocated to the segment Germany; the Nocibé brand was allocated to France. In addition, French location advantages associated with leasehold interests purchased from prior tenants were capitalized at €33.1 million (prior year: €36.9 million) in relation to the useful lives and irrespective of the terms of the lease contracts.

Goodwill, trademarks with indefinite useful lives and location advantages associated with leasehold interests with indefinite useful lives are subject to an impairment test once each year. As is the case for impairment tests for tangible assets, the carrying amount of the CGU (or groups of CGUs) is compared to the recoverable amount of the CGU (or groups of CGUs), with the recoverable amount in the Kirk Beauty One Group being defined as the value in use based on discounted future cash flows from internal forecasts. Planning assumptions include sales growth, gross profit and EBITDA forecasts, estimated development of costs, estimates of replacement investments in the store network and the development of working capital. Forecasts are based on management estimates and experience from the past as well as macroeconomic data.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The following table shows the allocation of goodwill to reportable and operating segments.

	09/30/2019		09/30/2018	
	Reportable Segment	Operating Segment	Reportable Segment	Operating Segment
Germany	603.4	603.4	596.0	596.0
France	436.8	436.8	436.8	436.8
South-Western Europe	371.8		371.8	
The Netherlands		200.2		200.2
Austria		46.9		46.9
Italy		116.9		116.9
Spain		0.0		0.0
Other countries South-Western Europe		7.8		7.8
Eastern Europe	101.8		101.8	
Poland		62.5		62.5
Other countries Eastern Europe		39.3		39.3
	<u>1,513.8</u>	<u>1,513.8</u>	<u>1,506.4</u>	<u>1,506.4</u>

The underlying forecasts used to determine the value in use are based on detailed forecast periods of three years, which corresponds to the companies' standardized forecasting system, and the perpetual annuity applying from this point.

In the detailed planning phase, we anticipate slightly higher average annual revenue growth for the segment Austria and moderately higher annual revenue growth for France and Italy. Solid growth is expected in the Netherlands and Spain. Solid growth is expected in Germany and strong growth in Poland. We expect a slight increase in market share in all aforementioned countries. We assume that we will be able to largely compensate for future increases in costs due to our market penetration on the one hand and the implementation of efficiency enhancement measures on the other, so that we expect moderately declining EBITDA margins in France and Poland, almost unchanged EBITDA margins in Germany, Italy, the Netherlands and Austria and slightly higher EBITDA margins in Spain. All other business segments not mentioned here only play a minor role regarding the amount of goodwill allocated to them.

The calculation of the perpetual annuity is based on a risk-adjusted growth rate of 1.0 percent.

The following interest rates were applied for discounting purposes.

	09/30/2019		09/30/2018	
	after tax in percent	before tax in percent	after tax in percent	before tax in percent
Germany	6.1%	8.3%	7.0%	10.0%
France	6.7%	9.4%	7.5%	11.2%
South-Western Europe				
The Netherlands	6.1%	7.8%	7.0%	9.4%
Austria	6.4%	8.1%	7.4%	9.9%
Italy	9.0%	11.6%	9.1%	11.9%
Other countries South-Western Europe	7.2% - 8.2%	9.1% - 10.0%	8.1% - 9.8%	10.9% - 12.3%
Eastern Europe				
Poland	7.3%	8.9%	8.0%	9.8%
Other countries Eastern Europe	7.1% - 9.8%	8.7% - 11.0%	7.5% - 10.3%	8.8% - 12.3%

Impairment testing of goodwill and intangible assets with indefinite useful lives did not result in any impairment of goodwill in the reporting period (previous year: €155.0 million in Germany and €29.5 million in Spain; the remaining carrying amount of goodwill in Spain is €0). After taking into account the addition to goodwill of €7.4 million from the acquisition of Niche Beauty, the carrying amount of goodwill in Germany amounts to €603.4 million. The recoverable amount for Germany was €1,239.4 million.

In addition to impairment testing, three sensitivity analyses were performed for each business segment. The first sensitivity analysis was based on the assumption of a 1.0 percentage point decline in the EBITDA growth rate. In the second sensitivity analysis, the weighted average cost of capital was raised by 5.0 percent. In the third sensitivity analysis, a reduction of 5.0 percent instead of a growth surcharge of 1.0 percent was applied to the assumed perpetual EBITDA. These changes to underlying parameters would lead to impairment losses for the business segments Germany, Austria and Latvia.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

In the impairment test of the business segment Germany, including the acquisition of Niche Beauty, the value in use exceeded the carrying amount by €106.6 million. The value in use would equate to the carrying amount in case of a 9.1 percentage points lower growth rate or weighted average cost of capital after tax of 6.6 percent, or a perpetual 8.6 percent fall in EBITDA instead of a 1.0 percent rise in EBITDA.

In the impairment test for the business segment Austria, the value in use exceeded the carrying amount by €1.1 million. The value in use would equate to the carrying amount in case of a 0.9 percentage point lower growth rate or weighted average cost of capital after tax of 6.5 percent or a perpetual 1.0 percent fall in EBITDA instead of a 1.0 percent rise in EBITDA.

In the impairment test for the business segment Latvia, the value in use exceeded the carrying amount by €0.6 million. The value in use would equate to the carrying amount in case of a 2.2 percentage point lower growth rate or weighted average cost of capital after tax of 8.1 percent or a perpetual 2.2 percent fall in EBITDA instead of a 1.0 percent rise in EBITDA.

As of the balance sheet date, no intangible assets or property, plant and equipment have been pledged as collateral for bank loans.

Operating leases

Contracts qualifying as operating leases within the Kirk Beauty One Group mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of five years and contain lease extension options. The values shown do not include any lease extension options. The lease installments are either based on variable or fixed rental payments. Minimum lease payments from operating leases totaled €281.5 million (prior year: €281.6 million). Contingent

lease payments resulting from sales-based lease agreements stood at €0.7 million as of the balance sheet date (prior year: €1.0 million).

	less than 1 year EUR m		1 to 5 years EUR m		More than 5 years EUR m		Total EUR m	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Obligations from operating leases	296.3	333.6	672.3	745.2	168.0	208.1	1,136.6	1,286.9
Income from subleases	24.9	27.0	54.1	47.3	18.4	22.6	97.4	96.9

12. Deferred taxes

Deferred taxes are calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual balance sheet items as follows.

	09/30/2019		09/30/2018	
	Assets EUR m	Liabilities EUR m	Assets EUR m	Liabilities EUR m
Intangible assets	1.2	195.0	1.3	200.4
Property, plant and equipment	6.5	1.0	7.0	7.4
Inventories	14.6	0.0	18.4	0.0
Financial assets	22.2	2.0	2.0	2.1
Other assets	1.2	1.2	1.2	1.2
Provisions	30.9	0.0	21.6	1.6
Financial liabilities	6.2	4.0	2.0	4.0
Other liabilities	7.7	0.0	11.1	0.0
Tax loss carryforward	1.4	0.0	6.8	0.0
Total	91.9	203.2	71.4	216.7
Offsetting	(6.3)	(6.3)	(7.9)	(7.9)
Carrying amount	85.6	196.9	63.5	208.8

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The temporary differences taken as a basis for the calculation of deferred taxes mainly result from fair value measurements of assets in the course of business combinations as well as the revaluation of financial assets in accordance with IFRS 9. Deferred tax expenses in the amount of €0.7 million (prior year: €0.4 million) for pension provisions were directly recognized in other comprehensive income. As of September 30, 2019, no deferred tax assets were recognized regarding tax losses carried forward of €314.1 million (prior year: €305.9 million). Of this amount, €12.4 million will expire in the next seven years. Tax loss carryforwards in the amount of €8.7 million (prior year: €0.1 million), for which no deferred tax assets had been recognized, were utilized in the period under review.

Deferred tax assets on loss carryforwards were recognized for entities which forecasts gave substantial indications of recoverability.

In accordance with IAS 12, deferred tax liabilities are recognized on the difference between the equity share of a subsidiary included in the Consolidated Statement of Financial Position and the carrying amount of the investment in the subsidiary recognized in the parent company's tax balance sheet (outside basis differences), if realization is expected. As of the balance sheet date, outside basis differences amounted to €19.2 million (prior year: €19.8 million), for which no deferred taxes were recognized.

13. Inventories

	09/30/2019 EUR m	09/30/2018 EUR m
Finished goods and merchandise	738.7	750.4
Raw materials, consumables and supplies	5.6	5.3
Advances to suppliers for merchandise	0.1	0.4
Total	744.4	756.0

Write-downs to the net realizable value resulted in impairment losses of €32.6 million in the period ended September 30, 2019 (prior year: €87.0 million).

14. Trade accounts receivable

Trade accounts receivable primarily include receivables from credit card organizations as well as from Douglas Card customers. Write-downs due to default risks came to €9.9 million (prior year: €8.3 million) in the financial year 2018/19.

Write-downs on trade accounts receivable are shown under other operating expenses, unless they are determined using the expected credit loss model according to the first-time adoption of IFRS 9. These impairment losses are shown separately in the income statement. Trade accounts receivable are due immediately, do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their fair values. The (theoretical) maximum default risk as of the balance sheet date corresponds to the carrying amount.

Assessment of expected credit losses

In order to estimate the expected credit losses on trade accounts receivable, an allowance matrix is used.

The default risk is mainly influenced by individual characteristics of customers and the geographical location. In order to calculate expected credit losses, trade accounts receivable with comparable credit risk characteristics are classified into different portfolios based on geographical location and customer characteristics. Historical patterns of payment behavior and the ageing structure of receivables are analyzed individually for each portfolio and used as a starting point for determining the loss rate. Together with the amount at risk of default, the expected credit loss is determined for each portfolio and maturity band. The calculated loss rate per portfolio is adjusted downstream if significant changes in the macroeconomic situation are expected.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The following table provides information on the estimated credit risk and expected credit losses for trade accounts receivable and contract assets as of September 30, 2019.

	Weighted average loss rate %	Gross carrying amount EUR m	Loss allowance EUR m	Credit-impaired
Current (not past due)	0.52	7.1	0.0	No
1-30 days past due	0.94	11.4	0.1	No
31-60 days past due	6.33	1.9	0.1	No
61-90 days past due	66.50	0.4	0.3	No
More than 90 days past due	85.00	0.2	0.1	Yes
As of September 30, 2019		21.0	0.7	

Kirk Beauty One GmbH does not demand securities for claims arising from deliveries and services. The Group does not have any trade receivables or contract assets, for which no impairment is recognized due to the existence of collateral.

Movements in the allowance for impairment in respect of trade receivables and contract assets

Movements in the allowance for impairment in respect of trade receivables and contract assets were as follows. Comparative values for 2017/18 show the allowance account according to IAS 39.

	2018/19 EUR m	2017/18 EUR m
As of October 1	8.3	4.6
Adjustment on initial application of IFRS 9	0.3	
As of October 1 under IFRS 9	8.6	
Additions	1.9	4.7
Reversal	0.0	(0.2)
Utilization	(0.6)	(0.8)
As of September 30	<u>9.9</u>	<u>8.3</u>

15. Financial assets

Other financial assets

Other financial assets include long-term receivables from shareholders, bonus/advertising cost subsidies, equity investments and other financial receivables. Except for equity investments, other financial assets are classified and measured on the basis of the business model and the cash flow criterion. All other financial assets are managed within the business model "hold" and the cash flow criterion is considered fulfilled. Consequently, they are measured at amortized cost, except for equity investments. Due to the measurement at amortized cost, an estimate was also made of the expected credit losses, which were quantified as insignificant.

Equity participations are investments in equity instruments, which are measured at fair value through profit or loss. There was no intention to sell said equity participations as of the balance sheet date. Depending on how the equity instruments are managed, they are measured at fair value through profit or loss.

For the effect of the first-time adoption of IFRS 9 on financial instruments, see Note 2 "New Accounting Standards". Due to the chosen transition method, comparative information has not been restated.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Financial assets overview

	09/30/2019		09/30/2018	
	With a remaining term of		With a remaining term of	
	Up to 1 year EUR m	More than 1 year EUR m	Up to 1 year EUR m	More than 1 year EUR m
Receivables against shareholders	0.1	562.4	206.7	371.6
Bonuses/advertising subsidies	123.2		128.1	
Equity participations		5.3		5.4
Other financial assets	32.2	2.1	33.7	6.6
Total	155.4	569.8	368.5	383.7

Receivables against shareholders are interest-bearing. Receivables from supplier bonuses and advertising subsidies are due very quickly and do not bear interest.

Equity participations are investments in equity instruments of unlisted companies. There was no intention to sell said equity participations as of the balance sheet date; they are measured at fair value through profit or loss. For the Spanish investment in GPD Group a fair value was determined on the basis of expected profit distributions.

Other financial assets include receivables from rental agreements of €25.8 million (prior year: €22.5 million).

All other financial assets are non-interest-bearing financial instruments. The carrying amounts of other financial assets are basically equivalent to their fair values.

As of the balance sheet date, other financial assets in the amount of €0.0 million (prior year: €1.2 million) had been pledged as collateral for bank loans and Senior Notes.

Development of impairment losses on other financial assets

The analysis of other financial assets is presented below.

	09/30/2019 EUR m	09/30/2018 EUR m
Other receivables		
Not due	565.2	602.6
Past due < 30 days	160.0	149.6
Past due > 30 days	0.0	0.0
Total	725.2	752.2

No cash receipts relating to receivables fully written-off in prior periods were recognized in the period ended September 30, 2019. The maximum default risk corresponds to the carrying value as of the balance sheet date.

The impairment of financial assets is presented below, broken down by the levels of the expected credit loss model.

Level 1–Probability of default for the next twelve months

	2018/19 EUR m	2017/18 EUR m
As of October 1	1.5	0.8
Adjustment on initial application of IFRS 9	0.0	
Adjusted balance as of October 1	1.5	0.8
Additions	0.3	0.7
As of September 30	1.8	1.5

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Level 2--Probability of default for the entire term

	2018/19 EUR m	2017/18 EUR m
As of October 1	0.0	
Adjustment on initial application of IFRS 9	75.2	0.0
Adjusted balance as of October 1	75.2	0.0
Reversal	(11.9)	
As of September 30	<u>63.3</u>	<u>0.0</u>

The level 2 impairment relates to receivables from the shareholder Kirk Beauty Two GmbH with a gross carrying amount of €625.7 million (prior year: €578.3 million). The classification results from liquidly traded bonds of the shareholder's investment, which are quoted below the issue price. The credit risk was derived from credit default swaps, based on a "B" rating (Moody's) dated February 21, 2019, which results in a probability of default depending on the remaining term and a loss given default of 63 percent. The contracts contain termination rights which are not shown separately in the balance sheet and which are taken into account in the credit exposure via various scenarios. There is no objective evidence of impairment or a fundamentally impaired creditworthiness for these receivables.

Offsetting financial assets and financial liabilities

The amounts not offset on the balance sheet include both derivative financial instruments (caps) and their outstanding purchase price payment. Set-off agreements or similar agreements exist for these financial instruments; however, they do not meet the set-off criteria according to IAS 32.

09/30/2019	Gross value EUR m	Offsetting EUR m	Carrying amount EUR m	Contingent offsetting amount EUR m	Financial guaranties received / granted EUR m	Net amount EUR m
Financial assets						
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities						
Purchase price liability arising from derivative financial instruments	(4.1)	0.0	(4.1)	0.0	0.0	(4.1)
09/30/2018	Gross value EUR m	Offsetting EUR m	Carrying amount EUR m	Contingent offsetting amount EUR m	Financial guaranties received / granted EUR m	Net amount EUR m
Financial assets						
Derivative financial instruments	1.2	0.0	1.2	(1.2)	0.0	0.0
Financial liabilities						
Purchase price liability arising from derivative financial instruments	(6.1)	0.0	(6.1)	1.2	0.0	(4.9)

16. Other assets

Other assets primarily include prepaid expenses.

17. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances (original term up to 3 months). It also includes checks and cash in hand. Cash and cash equivalents represent highly liquid financial investments that can be converted into cash at any time and are only subject to insignificant fluctuations in value. The Consolidated Statement of Cash Flows provides a detailed analysis of the movement in cash and cash equivalents. The (theoretical) maximum default risk corresponds to the carrying value as of the balance sheet date.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Kirk Beauty One GmbH allocates cash and cash equivalents to the business model "hold". Based on the business model and the fulfilment of the cash flow criterion, cash and cash equivalents are measured at amortized cost. All book values correspond to the fair values.

Cash and cash equivalents measured at amortized cost are subject to the general approach of the expected credit loss model. As Kirk Beauty One GmbH only makes investments in counterparties with at least investment grade rating (BBB-), a low credit risk is assumed for these financial instruments. Kirk Beauty One GmbH uses credit default swap spreads and rating information to determine the expected credit losses for cash and cash equivalents. The calculated amount of expected credit losses is insignificant.

As of the balance sheet date, bank balances in the amount of €52.9 million (prior year: €76,0 million) had been pledged as collateral for bank loans and Senior Notes. Under the terms of agreement, all rights and powers in respect of the accounts may be fully exercised so that the pledged bank balances continue to form part of cash and cash equivalents.

Security can only be enforced by the lenders if the majority of them instruct the agent to make the debt due and payable with immediate effect. This requires a prior breach of the terms of the contract, which has not been resolved before the expiration of a specified grace period.

18. Equity

Capital stock

Issued capital stock remained unchanged at €25,000.00 on the balance sheet date. Capital was entirely paid-in.

Additional paid-in capital

Additional paid-in capital includes capital contributions of Kirk Beauty One GmbH shareholders in excess of subscribed capital.

Reserves

	09/30/2019 EUR m	09/30/2018 EUR m
Other reserves	(260.2)	(229.1)
Reserve for the recognition of actuarial gains/losses from pension provisions	(4.4)	3.2
Deferred taxes recognized directly in equity	1.4	(0.7)
Reserve for currency translation differences	(2.9)	(1.6)
Total	<u>(266.0)</u>	<u>(228.2)</u>

Deferred taxes recognized directly in equity as other comprehensive income solely relate to actuarial gains and losses from pension provisions in 2018/19 and the prior year.

Other reserves include valuation effects of €51.3 million, net of deferred tax, from the first-time adoption of IFRS 9, recognized directly in equity.

Profit appropriation / loss compensation claim

Kirk Beauty Two GmbH is the sole shareholder of Kirk Beauty One GmbH. A profit and loss transfer agreement was concluded between Kirk Beauty One GmbH and Kirk Beauty Two GmbH effective as of October 1, 2015 as part of the establishment of a corporation tax and trade tax group. In the separate financial statements of Kirk Beauty One GmbH prepared according to the German Commercial Code (HGB) for the period from October 1, 2018 through September 30, 2019, a loss for the period, before profit or loss transfer, of €2.8 million (prior year: €90.4 million) was incurred and compensated by Kirk Beauty Two GmbH. The loss compensation is disclosed in the Statement of Changes in Group Equity as a transaction with shareholders.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

19. Pension provisions

Pension provisions are recognized for funded and non-funded employer-financed commitments arising from pension entitlements and ongoing payments to employees and former employees as well as their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. The pension entitlements usually relate to payments for contractually agreed retirement pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19. Accordingly, actuarial gains/losses are recognized directly and in full via a separate equity component.

Valuations are based on actuarial reports using the following parameters.

	Germany %	Switzerland %	The Netherlands %	France %
09/30/2019				
Interest rate	0.70	0.16	0.50	0.45
Pension benefit increase rate	1.50	0.00	2.00	0.00
09/30/2018				
Interest rate	1.85	0.90	1.80	1.65
Pension benefit increase rate	1.50	0.00	2.00	0.00

Dr. Heubeck's 2018 "Mortality Tables" or comparable country-specific mortality tables were used as a basis for the biometric parameters.

An amount of €30.5 million (prior year: €29.6 million) was paid for defined contribution plans in the period ended September 30, 2019.

The following table shows a reconciliation of the defined benefit obligation (DBO) to the defined benefit liability (DBL).

	09/30/2019		09/30/2018	
	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
	EUR m	EUR m	EUR m	EUR m
DBO	36.3	21.9	30.8	17.6
Fair value of plan assets	0.0	(18.1)	0.0	(15.2)
Liability	36.3	3.8	30.8	2.4

The following table shows the development of the defined benefit obligation.

	2018/19		2017/18	
	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
	EUR m	EUR m	EUR m	EUR m
DBO at the beginning of the period	30.8	17.6	32.3	19.1
Actuarial gains/losses resulting from adjustments of financial assumptions	6.3	3.3	(0.7)	(0.9)
Service cost	0.4	0.3	0.4	0.4
Interest expense	0.5	0.3	0.6	0.2
Past service cost	0.0	0.0	0.0	(0.4)
Curtailments	(0.3)	0.0	(0.3)	(0.1)
Pension payments	(1.4)	0.0	(1.5)	(0.7)
Currency translation adjustments	0.0	0.4	0.0	0.0
DBO at the end of the period	36.3	21.9	30.8	17.6

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The following table compares the income and expenses from pension obligations.

	2018/19		2017/18	
	Unfunded obligation EUR m	Funded obligation EUR m	Unfunded obligation EUR m	Funded obligation EUR m
Service cost	0.4	0.3	0.4	0.4
Interest expense	0.5	0.3	0.6	0.2
Expected return on plan assets	0.0	(0.2)	0.0	(0.1)
Past service cost	0.0	0.0	0.0	(0.4)
Gains/losses from curtailment	(0.3)	0.0	(0.3)	0.0
Period pension expenses	<u>0.6</u>	<u>0.4</u>	<u>0.7</u>	<u>0.1</u>

No further disclosures are made regarding losses from curtailment due to the minor significance of this item.

The development of plan assets is shown in the following table.

	2018/19 EUR m	2017/18 EUR m
Plan assets at the beginning of the period	15.2	15.8
Actuarial gains/losses resulting from adjustments of financial assumptions	2.1	(0.3)
Expected return on plan assets	0.2	0.1
Contributions	0.3	0.2
Payments	0.0	(0.6)
Currency translation adjustments	0.3	0.1
Curtailements	0.0	(0.1)
Plan assets at the end of the period	<u>18.1</u>	<u>15.2</u>

The fair value of plan assets at the end of the period is attributable to the following asset classes.

	2018/19 EUR m	2017/18 EUR m
Insurance contracts	12.3	10.8
Equity instruments	1.7	1.3
Debt instruments	1.6	1.2
Property	1.2	0.9
Alternative assets (private equity, hedge funds, infrastructure)	0.6	0.7
Cash and cash equivalents	0.3	0.2
Other	0.4	0.1
Plan assets at the end of the period	<u>18.1</u>	<u>15.2</u>

Pension payments in the amount of €2.3 million and contributions to plan assets in the amount of €0.5 million are expected for the period ended September 30, 2020. An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by €5.7 million. A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by €6.8 million. An increase or a decrease of 0.5 percentage points in the expected pension trend with all other parameters remaining unchanged would increase the present value of the defined benefit obligations by €3.2 million or decrease the present value of the defined benefit obligations by €1.7 million, respectively. The weighted average duration of all obligations is 15.5 years as of the balance sheet date.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

20. Provisions

Statement of changes in non-current provisions – 10/01/2018 - 09/30/2019

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2018	18.0	14.1	9.8	41.9
Utilization	(1.9)	(0.9)	(1.7)	(4.5)
Reversal		(0.1)		(0.1)
Additions	1.8	5.1	9.8	16.7
Reclassification to current provisions		(0.2)	(0.2)	(0.4)
Interest	0.1	0.1		0.2
09/30/2019	18.0	18.1	17.7	53.8

Statement of changes in non-current provisions – 10/01/2017 - 09/30/2018

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2017	11.1	13.3	2.3	26.7
Utilization	(3.3)	(1.6)	(1.0)	(5.9)
Reversal		(0.7)		(0.7)
Additions	2.2	3.1	8.3	13.6
Reclassification to current provisions		(0.2)		(0.2)
Changes in consolidation group	7.9	0.1	0.2	8.2
Interest	0.1	0.1		0.2
09/30/2018	18.0	14.1	9.8	41.9

Non-current human resources commitments primarily concern compensation for length of service at six foreign companies as well as anniversary provisions.

Real estate commitments predominantly concern provisions for restoration obligations and for deficient rental contracts.

Other provisions mainly concern legal and audit costs.

Discount rates for non-current provisions are between 0 percent and 2 percent depending on the term and country.

Statement of changes in current provisions - 10/01/2018 - 09/30/2019

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2018	65.7	4.8	32.1	102.6
Adjustment on initial application of IFRS 9			0.3	0.3
Adjusted balance 01/10/2018	65.7	4.8	32.4	102.9
Utilization	(60.0)	(3.7)	(15.4)	(79.1)
Reversal	(4.6)	(0.5)	(5.2)	(10.3)
Additions	71.1	0.7	28.9	100.7
Reclassification from non-current provisions		0.2	0.2	0.4
09/30/2019	72.2	1.5	40.9	114.6

Notes to the Consolidated Financial Statements--(Continued)

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Statement of changes in current provisions – 10/01/2017 - 09/30/2018

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2017	75.9	7.8	18.8	102.5
Utilization	(60.5)	(5.0)	(5.1)	(70.6)
Reversal	(9.6)	(2.5)	(7.2)	(19.3)
Additions	52.6	1.7	8.0	62.3
Reclassification from non-current provisions		0.2	0.0	0.2
Changes in consolidation group	7.3	2.6	17.8	27.7
Currency translation adjustment			(0.2)	(0.2)
09/30/2018	65.7	4.8	32.1	102.6

Provisions for human resources commitments were primarily recognized for bonuses, holiday claims, Christmas bonuses and settlements.

Real estate commitments mainly concern onerous contracts.

Other provisions were mainly recognized for litigation risks and corresponding legal costs.

Current provisions are expected to be utilized in the period ending September 30, 2020 and with cash outflows equaling the amounts recognized.

21. Trade accounts payable

All business transactions recognized under trade accounts payable have remaining terms of less than one year.

22. Financial liabilities

	09/30/2019 Remaining items				09/30/2018 Remaining items			
	Total	< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m	Total	< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m
Liabilities to bank	1,670.2	0.2	1,670.0	0.0	1,670.5	0.5	1,670.0	0.0
Financial liabilities from options held by non-controlling interests	3.7	0.0	3.7	0.0	3.5	0.2	3.3	0.0
Liabilities from contingent considerations	27.9	15.2	12.7	0.0	22.1	14.7	7.4	0.0
Purchase price liability arising from derivative financial instruments	4.1	2.0	2.1	0.0	6.1	2.0	4.1	0.0
Liabilities to third-party shareholders	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Senior Notes and Senior Secured Notes	634.4	10.0	624.3	0.0	631.2	10.0	621.2	0.0
Miscellaneous financial liabilities	10.1	10.1	0.0	0.0	3.9	3.8	0.1	0.0
Total financial liabilities	2,350.9	37.5	2,313.5	0.0	2,337.3	31.3	2,306.0	0.0

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23. Other financial liabilities

	09/30/2019 Remaining items				09/30/2018 Remaining items			
	Total	< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m	Total	< 1 year EUR m	1 to 5 years EUR m	> 5 years EUR m
Coupons not yet redeemed	139.4	139.4	0.0	0.0	134.5	134.5	0.0	0.0
Contract liabilities								
(Customer loyalty programs)	33.8	33.8	0.0	0.0	28.2	28.2	0.0	0.0
Personnel liabilities	18.0	18.0	0.0	0.0	19.7	19.7	0.0	0.0
Supplier bonus accruals	5.7	5.7	0.0	0.0	5.3	5.3	0.0	0.0
Accrued rental payments	0.7	0.7	0.0	0.0	1.1	1.1	0.0	0.0
Miscellaneous other financial liabilities	22.1	13.2	7.6	1.3	19.0	14.0	3.2	1.8
Total other financial liabilities	219.7	210.8	7.6	1.3	207.9	202.9	3.2	1.8

Miscellaneous other financial liabilities mainly include deferred Douglas Card commissions in the amount of €5.6 million (prior year: €5.8 million).

24. Consolidated Cash Flow Statement

The consolidated cash flow statement shows how the cash and cash equivalents balance of the Group changed during the period ended September 30, 2019 as a result of cash flows from operating, investing and financing activities.

Cash and cash equivalents as of September 30, 2019 stood at €81.0 million (prior year: €102.9 million).

Cash inflow from operating activities totaled €198.3 million (prior year: €129.0 million) in the period ended September 30, 2019. The increase in provisions of €29.4 million (prior year: decrease of €22.9 million) includes the change in non-current and current provisions, corrected for additions from company acquisitions, which are reported in cash flow from investing activities. Changes in working capital (without liabilities from investments in non-current assets) of minus €39.7 million (prior year: minus €9.1 million) and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of minus €5.3 million (prior year: minus €8.8 million) show the change in the corresponding positions, adjusted for amounts attributable to investing or financing activities.

Working capital of the Douglas-Group comprises inventories, trade accounts receivable, trade accounts payable (including liabilities from investments in non-current assets), receivables from advertising cost contributions, sales promotion and supplier bonuses as well as liabilities from coupons not yet redeemed.

Cash outflow for investing activities came to €106.4 million (prior year: €389.5 million) in the period ended September 30, 2019. €3.5 million were attributable to acquisitions (prior year: €298.3 million). The sale of the former headquarter property in Hagen resulted in a cash inflow from investing activities of €23.2 million.

Payments for the acquisition of consolidated companies and other business units concern the acquisition of Niche Beauty. The cash-effective acquisition costs of Niche Beauty amounted to €3.5 million.

The net cash outflow for financing activities in the amount of €113.6 million (prior year: net cash inflow of €185.3 million) mainly results from interest payments (in the prior year mainly from taking out a bank loan as part of the senior facility agreement in the amount of €300.0 million and opposing interest payments of €109.1 million).

25. Segment reporting

As the leading specialty retailer in Europe, the Douglas-Group operates in 26 European countries with 2,431 perfumeries (including franchise branches) and a variety of online web shops, in which primarily perfumery, cosmetic and skincare products and food supplements are sold to end customers. Business is conducted on the basis of an omnichannel approach that interlinks the store and online business in a way that ensures that customers are optimally served via both channels.

Notes to the Consolidated Financial Statements--(Continued)

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The reporting segments are categorized on the basis of their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker.

The Board of Directors of Douglas GmbH is the chief operating decision-maker in the meaning of IFRS 8. It steers the Douglas-Group, it is responsible for allocating resources to the business segments at the highest level and it assesses and monitors their profitability. The Board of Directors of Douglas GmbH is also the Board of Directors of Kirk Beauty One GmbH.

Below the chief operating decision-maker, the segment managers are responsible for the operating business and in turn report to the chief operating decision-maker.

Based on the internal organizational and reporting structure, the segment managers will operate at country level, which means that steering and monitoring by the chief operating decision-maker will also take place on country level.

The segments Germany and France are shown separately in the segment reporting (reportable segments), as they differ considerably from the other countries (market position and market strategy, particularly with the market presence under the Nocibé brand in France).

The current and expected gross profit margins and EBITDA margins, market position, economic circumstances, customer base, sales organization, supplier structure and regulatory environment in the South-Western European countries Italy, Spain, the Netherlands, Austria, Portugal, Switzerland, Monaco and Andorra on the one hand and the Eastern European countries Poland, Hungary, the Czech Republic, Latvia, Lithuania, Romania, Bulgaria, Croatia, Slovakia and Estonia on the other hand are mostly homogeneous. For this reason, the individual operating segments were combined under the reportable segments South-Western Europe and Eastern Europe.

Parfumdreams and Niche Beauty were allocated to the reportable segment Germany since Parfumdreams and Niche Beauty are steered and controlled from Germany and generate the majority of their revenues in Germany as well.

As of the balance sheet date, the Douglas-Group's reportable segments were Germany, France, South-Western Europe and Eastern Europe.

With exception of adjustments for expenses and income that the management considers to be "non-recurring effects on a regular basis", the segment results of the operating segments are determined in accordance with the IFRS accounting and valuation methods as presented in Notes 3 to 5 of the Notes to the Consolidated Financial Statements as well as in consideration of IFRS 8. Transfers between segments are generally performed at the same prices that would apply if the transactions were executed with third parties (arm's length transactions).

The recognized segment sales correspond to sales with external third parties. Internal sales account for sales between individual segments. The allocation of segment sales is based on the registered office of the selling unit.

The segment performance indicator is adjusted EBITDA. Alongside sales, adjusted EBITDA is the Douglas-Group's key financial performance indicator that is used to assess the performance of the segments and manage resource allocation. Adjusted EBITDA is also decisive for calculating the underlying covenants of loan financing. To calculate adjusted EBITDA, EBITDA reported in the Consolidated Statement of Profit or Loss is adjusted for items that Kirk Beauty One management considers to be "non-recurring effects on a regular basis". In addition, credit card fees included in reported EBITDA are classified as financial expenses and reclassified to the financial result.

The monthly reporting to the chief operating decision-maker only shows the inventories of individual segments as segment assets. Inventories shown in segment reporting include purchased goods, raw materials, consumables and supplies and advance payments for inventories.

Capital expenditure shown in segment reporting relates to additions made to intangible assets and property, plant and equipment.

Notes to the Consolidated Financial Statements--(Continued)

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The non-current assets recognized on a cross-segment basis include all non-current assets in Germany and abroad except for non-current tax items. Segment debt is not reported to the chief operating decision-maker on a regular basis.

Non-current assets

	09/30/2019 EURm	09/30/2018 EUR m
Germany	1,868.0	1,697.1
Other countries	1,342.2	1,360.3
Total	<u>3,210.2</u>	<u>3,057.4</u>

For further information on intangible assets, please refer to Note 11, Intangible assets and property, plant and equipment.

Reconciliation segment income

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
EBITDA	282.5	201.7
Purchase Price Allocations (PPA)	5.3	11.7
Restructuring costs and severance payments	12.1	15.3
Write-down of inventories	21.8	87.0
Consulting fees	12.7	22.3
Credit card fees	14.8	11.3
Other non-recurring effects on a regular basis	1.7	27.1
Sum of adjustments	68.4	174.7
Adjusted EBITDA	350.9	376.4
Amortization/depreciation	(136.6)	(373.3)
Impairment of non-current and current assets	13.9	216.8
Adjusted EBIT	228.3	219.9
Financial result	(65.5)	(91.6)
Effects from valuation of financial instruments and credit card fees	(23.3)	-0.9
Adjusted EBT	139.5	127.5
Income taxes	(63.3)	(27.0)
Income taxes on adjustments	(18.9)	(54.2)
Adjusted Profit (+) or Loss (-)	<u>57.3</u>	<u>46.3</u>

The adjustment categories "Purchase Price Allocations", "Restructuring costs and severance payments", "Write-down of inventories", "Consulting fees", "Credit card fees" and "Other non-recurring effects on a regular basis" presented in the "Reconciliation segment income" table are primarily attributable to the following matters.

- Purchase Price Allocations (PPA): EBITDA effects in profit or loss concerning the amortization of hidden reserves disclosed in relation to business combinations
- Restructuring costs and severance payments: Settlements and ongoing salary payments irrespective of whether a position has been reappointed
- Write-down of inventories: In particular relating to the rebranding of our brand presence and the renewal of the product range of our own brands (prior year: restructuring and integration of our acquisitions in Spain and Italy)
- Consulting fees: In relation to strategic projects, acquisitions and financing
- Credit card fees: Fees charged for the use of credit cards are classified as financial expenses
- Other non-recurring effects on a regular basis: Mainly proceeds from the sale of the former headquarter property in Hagen (€10.3 million, prior year: €0.0 million), integration and reorganization costs (€5.6 million, prior year: €7.4 million) and legal costs (€4.8 million, prior year: €0.2 million)

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In addition, internal licensing costs and other similar costs charged from the segment Germany to the segments South-Western Europe and Eastern Europe were not included in the presentation of segment EBITDA and adjusted segment EBITDA, in accordance with the internal steering logic.

In order to calculate adjusted profit or loss for the period, impairment losses on non-current assets, write-downs on liabilities, valuation effects within financial result and tax effects on these adjustments are adjusted. The calculation was based on an unchanged tax rate of 32 percent as in the prior year.

26. Fair value of financial instruments

The following tables represent the carrying amounts and fair values of financial instruments as of the balance sheet date. The items are classified according to IFRS 9¹³ (prior year: according to IAS 39¹⁴) and are also categorized into a three-stage fair value hierarchy, which structures the data used for the fair value calculation according to its market relevance.

Financial instruments categorized in accordance with IFRS 9- 09/30/2019

	Net book value EUR m	Category	(Amortized) cost EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Fair Value EUR m	Level
Assets							
Receivables against							
shareholders	562.4	AC	562.4			562.4	2
Trade accounts receivable	45.7	AC	45.7			45.7	2
Derivative financial							
instruments	0.0	FVtPL		0.0		0.0	2
Equity participations	5.3	FVtPL		5.3		5.3	2
Other financial assets	157.5	AC	157.5			157.5	2
Liabilities							
Purchase price liability arising							
from derivative financial							
instruments	4.1	OfL	4.1			4.1	2
Trade accounts payable	487.0	OfL	487.0			487.0	2
Liabilities to bank	1,670.2	OfL	1,670.2			1,670.2	2
Liabilities from Senior Secured							
Notes	299.5	OfL	299.5			300.3	1
Liabilities from Senior Notes ...	334.9	OfL	334.9			264.7	1
Liabilities from minority							
options	3.7	OfL				3.7	2
Liabilities from contingent							
considerations	12.9	FVtPL				12.9	2
Liabilities from contingent							
considerations	15.0	FVtPL				15.0	3
Other liabilities	10.7	OfL	10.7			10.7	2

¹³ Abbreviations used for the categories of financial instruments according to IFRS 9
AC - Measured at amortized cost; OfL - Other financial liabilities;
FVtPL - Measured at fair value through profit or loss

¹⁴ Abbreviations used for the categories of financial instruments according to IAS 39
LaR - Loans and receivables
HfT - Held for trading
AfS - Available for sale
OfL - Other financial liabilities
FVtPL - Measured at fair value through profit or loss

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Financial instruments categorized in accordance with IAS 39- 09/30/2018

	Net book value EUR m	Category	(Amortized) cost EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Fair Value EUR m	Level
Assets							
Receivables against							
shareholders	578.4	LaR	578.4			578.4	2
Trade accounts receivable	47.2	LaR	47.2			47.2	2
Derivative financial instruments ...	1.2	HfT		1.2		1.2	2
Equity participations	5.4	AfS	5.4				
Other financial assets	167.2	LaR	167.2			167.2	2
Liabilities							
Purchase price liability arising from							
derivative financial							
instruments	6.1	OfL	6.1			6.1	2
Trade accounts payable	565.5	OfL	565.5			565.5	2
Liabilities to bank	1,670.5	OfL	1,670.5			1,670.5	2
Liabilities from Senior Secured							
Notes	297.9	OfL	297.9			247.5	1
Liabilities from Senior Notes	333.2	OfL	333.2			192.6	1
Liabilities from minority options ...	3.5	OfL				3.5	2
Liabilities from contingent							
considerations	7.4	FVtPL				7.4	2
Liabilities from contingent							
considerations	14.7	FVtPL				14.7	3
Other liabilities	3.9	OfL	3.9			3.9	2

Fair values of the Notes liabilities are calculated on the basis of market prices quoted on active markets (level 1).

A mark-to-market measurement based on yield curves available on the market is conducted for the interest rate caps presented as derivative financial instruments under "Assets" (level 2).

In connection with the acquisition of the LLG Group, Douglas has committed itself to an additional contingent purchase price tranche, in case that certain goals and synergies agreed between the contractual partners are reached within 18 months after the date of acquisition. These concern the closing of a defined number of stores and of the central warehouse on the one hand and the achievement of synergy effects affecting the result on the other hand. The liability is measured at fair value, in accordance with level 3 of the measurement hierarchy of IFRS 13. Evaluation was conducted based on expected amounts, with the expectations of management relating to the achievement being objectified using a standard deviation.

Input factors primarily were the number of expected store closures and the amount of synergies likely to be realized. Within a range between €5.0 million and €15.0 million, the liability was valued at €10.6 million as of the acquisition date. All conditions were fulfilled as of September 30, 2019. The fair value of the liability amounts to €15.0 million as of the balance sheet date. The extent of achievement realized as of September 30, 2019 will lead to a purchase price payment of €15.0 million, so there is no sensitivity of the fair value.

The contingent purchase price liability associated with the acquisition of the remaining 49 percent of the shares in Niche-Beauty.COM GmbH was recognized as a liability to minority shareholders at its fair value of €5.2 million as of the balance sheet date. The remaining 49 percent of the shares were acquired with economic effect from January 1, 2022 and subject to the condition precedent of payment of the second purchase price tranche. The purchase price of the 49 percent stake is also determined by the achievement of certain economic performance indicators. The lower limit is €3.5 million, the upper limit €6.0 million. The expected value was determined on the basis of an equal distribution of the performance indicators within a range around the target achievement level. The expected value was discounted at an interest rate of 1.5 percent. The sensitivity of the fair value lies between the lower limit of €3.5 million and the upper limit of €6.0 million.

In terms of trade accounts receivable and trade accounts payable, fair values equal the carrying amounts due to the short maturities involved. In case of receivables from the parent company Kirk Beauty Two

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GmbH, the book value is identical to the fair value as well, as the interest rate was negotiated in accordance with standard market conditions. Since then, market interest rates have changed slightly. On the other hand, the credit risk has increased. Since the carrying amount already takes the credit risk until maturity into account, it substantially equals fair value still.

Fair values of liabilities to banks are based on expected cash flows within the range of contractual agreements, discounted with a credit-risk-adjusted rate. Calculating the fair value of the syndicated bank loan, a particularity exists. In addition to the variable EURIBOR base rate, adjustments to the credit margin are also regularly made within legally defined boundaries. Credit margins are reassessed on a quarterly basis, regarding the development of certain corporate key figures. The reassessment is based on ratios that the syndicate would also include in the assessment of credit risk. As a result, interest expectations as of the balance sheet date are largely equivalent to fair credit interest assessment. As there were no interest accruals as of the balance sheet date, the fair value only deviates from the face value of the liability to an immaterial extent.

Fair values of other financial instruments are calculated using the present values of contractually agreed payments in consideration of country-specific interest yield curves.

Equity participations are measured at fair value. No sale of these equity participations is planned as of the balance sheet date.

27. Management of financial risks

The financial management of Kirk Beauty One GmbH is responsible for the Group's financing and supports decision-makers of German and foreign Group companies in respect of all financial issues.

The financial risks relevant to the Group, such as liquidity risks, the risk of interest rate changes, default risks and risks from cash flow fluctuations are adequately controlled and monitored by the financial management of Kirk Beauty One GmbH.

Liquidity risk

The Group generally has access to various sources for the funding of business operations, investments and potential acquisitions. This includes existing cash and cash equivalents, net cash flow from operating activities and bank credits as well as Senior Secured Notes and Senior Notes.

All the German subsidiaries and the significant subsidiaries based abroad are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction of the debt financing volume and an optimization of cash investments, thus having a positive impact on the Group's net interest result.

As of the balance sheet date, financing agreements totaled €2,505.0 million and comprised the following.

- €300.0 million Senior Secured Notes and €335.0 million Senior Notes,
- €1,670.0 million Senior Facility Agreement ("Term Loan B Facility"), consisting of €1,370.0 million from "Term Loan Facility B1" and €300.0 million from "Term Loan Facility B2" and
- €200.0 million from a Revolving Credit Facility (RCF).

The Senior Secured Notes and the Senior Notes bear fixed interest rates of 6.25 percent and 8.75 percent respectively. The interest on the "Term Loan Facility B1" of €1,370.0 million is based on EURIBOR plus a margin of 3.5 percent. EURIBOR plus a margin of 3.25 percent has been agreed for the "Term Loan Facility B2" in the amount of €300.0 million. The Senior Facility Agreement contains a 0.0 percent EURIBOR floor (prior year: 0.0 percent).

The Senior Facility Agreement has a maturity until August 2022 and the Revolving Credit Facility until February 2022. The Senior Secured Notes mature in July 2022 and the Unsecured Senior Notes mature in July 2023.

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The Senior Secured Notes as well the Senior Facility Agreement are secured by collateral. The following assets were pledged as collateral: bank balances, shares in certain Group companies and internal accounts receivable as well as assets from interest cap agreements.

In the event of borrower default, the lenders have the opportunity to initiate a contractually defined procedure, which aims to bring about the immediate due payment of the liability and the utilization of the pledged collateral.

Financing liabilities (without current accounts and revolving credit facility)

	09/30/2019		09/30/2018	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	300.0	299.5	300.0	297.9
Senior Notes	335.0	334.9	335.0	333.2
Term Loan B Facility	1,670.0	1,670.0	1,670.0	1,670.3
Total	2,305.0	2,304.4	2,305.0	2,301.5

The Group also has access to a Revolving Credit Facility in the amount of €200.0 million, which was limited solely for lease sureties in the amount of €13.8 million as of the balance sheet date (prior year: €7.8 million). Individual companies also have access to bilateral credit lines, none of which (prior year: €0.0 million) had been utilized as of the balance sheet date.

Kirk Beauty One GmbH and its subsidiaries have to meet certain other obligations and key financial covenants, if 40.0 percent of the Revolving Credit Facility is drawn. The utilization of the revolving credit facility for lease sureties in the amount of €13.8 million does not have any impact on compliance with the financial covenants agreed in the loan agreement. As a result, compliance with these financial covenants is not relevant as of the period ended September 30, 2019.

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Besides these financial covenants, the Group also has to meet certain qualitative covenants. If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. All agreed covenants were adhered to as of September 30, 2019.

Considering the high debt ratio, there is a concentration of risk as of the reporting date regarding the types of debt financing described, which is monitored with particular care by management. A complete repayment from the generated funds is only possible over a very long period of time. It is expected that a (partial) redemption will take place as part of a sale or IPO. Alternatively, refinancing could take place until the year 2022. The interest rate to be expected by then depends on the interest rate environment to be observed as well as leverage and rating. In view of the planned values for relevant key figures, management expects an unchanged rating for the coming years.

	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
		Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to bank	1,670.2		0.3		15.8			1,670.0	115.1		
Senior Notes and Senior Secured Notes	634.4							635.0	116.2		
Trade accounts payable	487.0	217.1		216.6		53.2					
Financial liabilities from options held by non-controlling interests	3.7							3.7			
Liabilities from contingent considerations	27.9	15.0						12.9			
Purchase price liability arising from derivative financial instruments	4.1			0.5		1.5		2.1			
Other financial instruments	10.7	10.1						0.6			
	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
		Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to bank	1,670.5		0.3		15.3			1,670.0	195.3		
Senior Notes and Senior Secured Notes	631.2							635.0	164.3		
Trade accounts payable	565.5	301.4		216.6		47.6					
Financial liabilities from options held by non-controlling interests	3.5							3.3			
Liabilities from contingent considerations	22.1	0.2				14.7		7.4			
Purchase price liability arising from derivative financial instruments	6.1			0.5		1.5		4.1			

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All financial liabilities existing as of the balance sheet date and for which payments were already contractually agreed are included in the table. Payments for future liabilities which did not exist as of the balance sheet date are not included. Floating interest rate payments were determined on the basis of the interest rates known as of the balance sheet date. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to euros using the closing rate.

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the capital markets. The loans attributable to the Group from the Senior Facility Agreement generally bear variable interest based on the EURIBOR. In addition, the Senior Facility Agreement of €1,670 million contains an interest rate floor, which is effective at 0.0 percent. To reduce the risk of cash flow fluctuations due to changes in interest rates of variable loans, the Group entered into interest rate hedging agreements.

Interest rate caps are in place to hedge against the risk of interest rate fluctuations over a total nominal volume of €1,100.0 million. These caps reduce the risk of an increase in EURIBOR to a maximum of 1.0 percent. The resulting cash flows can affect the interest result during the period from October 1, 2015 through September 30, 2021. The Senior Facility Agreement contains an interest rate floor at 0.0 percent EURIBOR. The cash flows from this agreement will affect the interest result until August 13, 2022.

	09/30/2019		09/30/2018	
	Reference amount EUR m	Fair values: Financial assets EUR m	Reference amount EUR m	Fair values: Financial assets EUR m
Interest rate caps	1,100.0	0.0	1,100.0	1.2
of which not part of a hedge relationship	1,100.0	0.0	1,100.0	1.2

A sensitivity analysis was conducted to quantify the interest rate risk. Subject to this analysis was the Senior Facility Agreement, which bears interest rate risks based on the EURIBOR as far as it is not part of a hedging relationship. A relative increase in the interest rate by 100 base points would affect interest expenses in the amount of roughly €10.2 million.

Currency risk

Operating units of the Kirk Beauty One Group largely conduct their activities in the respective functional currency. The currency risk of the Group is considered to be low, as 91 percent of the Group's sales (prior year: 91 percent) were effected in euros in the period ended September 30, 2019 and merchandise was purchased almost exclusively in euros. Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the Consolidated Financial Statements do not impact currency risk.

A sensitivity analysis was conducted in line with the requirements of IFRS 7. This analysis includes the effects from foreign currency positions measured at the closing date rate pursuant to IAS 21 through profit or loss.

The effects recognized in profit or loss from foreign currency exchange rate fluctuations on financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. This means that Kirk Beauty One Group would be exposed to risks—both in isolation and cumulatively—of under €100,000 in the event of an improvement or deterioration in the value of the Euro exchange rate of 5 percent.

Default risk

Default risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The default risk generally arises from all financial assets in the portfolio, such as trade accounts receivable, other receivables, cash investments with bank partners and derivatives with a positive market value. The carrying amounts of the financial assets and contract assets correspond to the maximum default risk.

Arising from the increased focus of the e-commerce channel, the entities of the Kirk Beauty One Group are faced with a receivables default risk, which is a system-inherent risk in mail-order retail. For this

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

A default risk may arise from the default of a banking partner, in particular as a result of insolvency in the context of financial investments or positive market values from derivatives. The Kirk Beauty One Group counters this risk by concluding transactions concerning both financial investments and financial instruments exclusively with first-class banks. At the same time, the volume is distributed among several counterparties in order to avoid concentration risks. Due to the difficult global economic situation, larger financial investments are avoided as far as possible or only concluded with first-class German banks.

Capital management

The subject of capital management is equity under IFRS. The goal of the Kirk Beauty One Group's capital management is to assure that the Group can continue to meet its financial obligations and that the covenants from the syndicated loans are met. A further goal of capital management is to increase the enterprise value on a long-term basis. A secondary aim of the capital management strategy is to ensure that all Group companies have appropriate equity according to local needs, such that external capital requirements were always met in the past financial year. This is to be achieved through the constant improvement of cash flow and EBITDA.

	09/30/2019 EUR m	09/30/2018 EUR m
Equity	859.1	896.9
Debt	3,523.9	3,551.9
Liabilities to bank	1,670.2	1,670.5
Senior Notes and Senior Secured Notes	634.4	631.2
Cash and cash equivalents	81.0	102.9
Net debt	2,223.5	2,198.8

Net debt is defined as the sum of liabilities to banks and Notes liabilities, offset by cash and cash equivalents.

28. Liabilities to minority shareholders

Regarding the minority shareholders of one subsidiary in Bulgaria, an obligation exists to acquire their shares as soon as they are tendered by the minority shareholders. Additionally, one German partnership has cancellation rights with the consequence that in the event of termination, compensation at fair value would be payable to the minority shareholders. This results in a commitment of €3.6 million (prior year: €3.5 million) as of the balance sheet date.

The contingent selling price for the shares in Profumerie Douglas S.p.A. agreed in connection with the acquisition of the Limoni and La Gardenia Group with the parent company of the selling companies, Orlando Italy S.r.l., was recognized at its fair value of €15.0 million (prior year: €14.7 million) as a liability to minority shareholders as of the balance sheet date.

The fair value of the minimum purchase price liability for the acquisition of the remaining minority interests in Parfümerie AKZENTE GmbH in the amount of €7.6 million (prior year: €7.4 million) is presented as a liability to minority shareholders as well.

The contingent purchase price liability associated with the acquisition of the remaining 49 percent interest in Niche-Beauty.COM GmbH was recognized at its fair value of €5.2 million as a liability to minority shareholders as of the balance sheet date.

29. Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure in property, plant and equipment totaled €30.8 million as of the balance sheet date (prior year: €28.4 million).

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Average number of employees

The average number of persons employed was:

	10/01/2018 - 09/30/2019	10/01/2017 - 09/30/2018
Salaried employees	21,708	21,487
Apprentices	552	666
Total	22,260	22,153

Management

In the financial year 2018/19 the operations of the Group parent company, Kirk Beauty One GmbH, were managed by Tina Müller (Chief Executive Officer), Michael Rauch (Chief Financial Officer, until May 16, 2019), Bobby Rajan (Chief Financial Officer, from May 17, 2019 until August 29, 2019) and Matthias Born (Chief Financial Officer, from August 29, 2019).

Related party transactions with companies and persons

The Kirk Beauty One Group had the following delivery and supply relationships with related parties in the past financial year.

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
Deliveries and services provided		
Shareholders (interest only)	45.0	31.3
Members of management in key positions	0.0	0.0
Other related companies and related persons	0.0	0.0
<i>thereof associates</i>	0.0	0.0
Total	45.0	31.3
Deliveries and services received		
Shareholders	0.0	0.0
Members of management in key positions	0.0	0.0
Other related companies and related persons	7.6	6.2
Total	7.6	6.2

Kirk Beauty Two GmbH is shareholder of Kirk Beauty One GmbH. Business relationships with related companies and persons are effected under the same conditions as with third parties (arm's length transaction). The ultimate parent company is Kirk Beauty S.à r.l., Luxembourg.

A profit and loss transfer agreement was concluded between Kirk Beauty One GmbH and Kirk Beauty Two GmbH effective as of October 1, 2015 as part of the establishment of a corporation tax and trade tax group. In the separate financial statements of Kirk Beauty One GmbH prepared according to the German Commercial Code (HGB) for the period from October 1, 2018 through September 30, 2019, a loss for the period before profit and loss transfer of €2.8 million (prior year: €90.4 million) was incurred; this loss for the period was compensated by Kirk Beauty Two GmbH. A verbal corporate tax allocation contract exists as of the balance sheet date. The corporate tax allocation amount was €8.0 million in the period ended September 30, 2019 (prior year: €4.5 million).

Receivables from related companies/persons amounted to €562.4 million as of the balance sheet date (prior year: €578.3 million); liabilities to related parties came to €5.8 million (prior year: €0.1 million). These receivables result from claims regarding the assumption of loss by Kirk Beauty Two GmbH and cash pooling transactions, converted into shareholder loans for satisfaction purposes, and include an impairment loss of €63.3 million in accordance with IFRS 9 as of the reporting date.

Total remuneration for the management of the Kirk Beauty One Group amounted to €2.8 million for the financial year 2018/19 (prior year: €2.8 million). Total remuneration includes the share-based payment at fair value upon grant of €0.0 million (prior year: €0.0 million). The total remuneration of former members of the

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Board of Management and their surviving dependents amounted to €1.2 million (prior year: €1.0 million). Pension obligations (DBO) to former members of the Board of Management and their surviving dependents amounted to €21.9 million as of September 30, 2019 (prior year: €18.8 million).

Expenses for short-term benefits to key management personnel, which includes the Board of Management of the Kirk Beauty One Group and the Supervisory Board of Douglas GmbH, amount to €3.0 million (prior year: €3.0 million), of which €0.2 million (prior year: €0.2 million) is attributable to the Supervisory Board. Expenses for termination benefits of key management personnel amounted to €0.2 million (prior year: €0.0 million). In accordance with IFRS 2, expenses from share-based payments to key management personnel amounted to €0.0 million (prior year: €0.0 million).

Share-based payments

A management participation program for key employees and other executive employees of the Group has been set up in a management participation company, established as a shareholder of Kirk Beauty International S.A., a company above the group of consolidated companies of Kirk Beauty One GmbH. This management participation program allows the management and other management personnel to invest in the Douglas-Group and, in the event of the current majority shareholder departing (through a sale or IPO), participate in the anticipated value increase. The management participation program grants members the opportunity to indirectly acquire shares in Kirk Beauty International S.A. in a particular structure. The participants' investment allows them to indirectly participate in the returns and value developments of a defined portfolio consisting of ordinary shares, preferred shares and preferred equity certificates (PECs). Preferred shares and PECs have defined returns on capital employed. PECs take precedence over preferred shares, which in turn take precedence over ordinary shares, when it comes to servicing.

Given that Kirk Beauty One Group companies are not obliged to settle share-based payments themselves, this constitutes a share-based payment with settlement through equity instruments in accordance with IFRS 2.43B (b).

The purchase prices for the transfer of shares to members of the management participation program who joined the program when it was established were determined on the basis of the purchase price of the former Beauty Holding Group (now Kirk Beauty One Group) on August 13, 2015. The purchase prices of the shares of participants who joined the program at a later date were determined according to the portfolio value calculated on the basis of a mark-to-market valuation of the Group (using the latest company planning and multiples derived from market data). In valuing the preferred shares and the PECs, the amount of the contractually agreed accumulated interest and preferred dividends amortized to the joining date is taken into consideration.

Members may only sell acquired shares to Kirk Beauty Investments S.A. If a member leaves the program, Kirk Beauty Investments S.A. is entitled to buy back his shares (call option).

If they sell their shares prematurely or leave the Kirk Beauty One Group as "good leavers," members shall receive a payment for a contractually defined share of the portfolio, which is vested until the date of departure, equating to the higher of the current market value of the shares or the purchase price less any received reimbursements. For the non-vested share, "good leavers" receive the lower of the current market value or the purchase price less any received reimbursements. Five years after the accession date, "good leavers" receive 100 percent of the market value of their portfolio upon termination. "Bad leavers" receive the lower of current market value and purchase price.

If a defined exit event occurs (which may include an initial public offering or a similar transaction, in which all or substantially all of the Group's assets are sold, so that the current investors retain less than 50 percent of the shares), the proceeds from the sale, after the deduction of costs, will be used to service the above-mentioned instruments, including accrued interest, in the following order: PECs, preferred shares and lastly ordinary shares. Investors are required to cooperate in an exit event and participate pro rata in the proceeds of the sale in accordance with the portfolio they hold.

In order to determine IFRS 2 personnel expense for the period, the purchase prices to be paid by plan participants were compared to the fair values of the share classes at the respective grant date. If plan participants have purchased instruments at a price below fair value, the grant date fair value is determined as the difference between purchase price and fair value at the accession date. Fair values of the instruments were determined by means of discounted cash flow assessments of the Kirk Beauty One Group, based on business plans valid on the grant dates, taking into account the seasonal development of working capital and the change in net debt.

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

The cost of capital parameters were derived on a quarterly basis and include the risk-free interest calculated using the Svensson methodology, the relevant market risk premium, the average unlevered beta and debt-equity ratio derived from the applicable peer group and a country-specific weighted tax rate. In addition, a weighted country-specific risk premium according to Damodaran and a credit spread between a ten-year German government bond and a bond determined using a synthetic rating of the Kirk Beauty One Group were taken into account.

The resulting enterprise value has been allocated to the different share classes and PECs, taking into account the nominal values of PECs and preferred shares as option prices for the valuation of the classes of instruments according to the Black-Scholes method, including contractual and accumulated interest and preferred dividend amounts and any repurchase programs as of the accession date. Black-Scholes models were calculated using the same assumptions regarding risk-free interest rate, volatility and expected maturity of the program, which was set at five years beginning August 15, 2015. It was also assumed that no plan participants will leave the program within the remaining term and that no dividends will be paid or repurchase programs will be executed. The calculation of purchase prices per instrument for the three share classes takes into account a discount for the lack of marketability ("DLOM") of the two share classes and the PECs. DLOM was determined using the Finnerty approach.

The parameters used in calculation are as follows.

<u>Parameters</u>	<u>2018/19</u>	<u>2017/18</u>
risk-free interest rate	0.60%	1.25%
market risk premium	7.00%	7.00%
unlevered beta	0.85	0.80
volatility	24.90%	19.8% - 24.5%
WACC after tax	7.19%	7.17% - 7.31%
DLOM	6.36%	7.62% - 8.35%

The fair values of benefits granted to employees at the inception of the program were as follows: ordinary shares 3.25 Euro, preferred shares 0.00 Euro and PECs 0.00 Euro.

The weighted average of grant date fair values for the instruments granted to employees in the financial year amounted to 0.19 Euro for ordinary shares (prior year: 0.55 Euro), 0.00 Euro for preferred shares (prior year: 0.00 Euro) and 0.00 Euro for PECs (prior year: 0.00 Euro).

The following table shows the development of instruments granted to employees during the financial year.

Statement of changes in instruments granted–10/01/2018–09/30/2019

	<u>Ordinary shares</u>	<u>Preferred shares</u>	<u>PECs</u>
10/01/2018	701,688	1,089,628	169,840,342
Instruments granted	101,164	157,095	24,486,310
Instruments returned	(112,500)	(174,698)	(24,529,957)
09/30/2019	690,352	1,072,025	169,796,695

Statement of changes in instruments granted–10/01/2017–09/30/2018

	<u>Ordinary shares</u>	<u>Preferred shares</u>	<u>PECs</u>
10/01/2017	964,626	1,497,937	233,483,293
Instruments granted	243,312	377,830	58,892,386
Instruments returned	(506,250)	(786,139)	(122,535,337)
09/30/2018	701,688	1,089,628	169,840,342

The amount of benefits granted to employees as of the balance sheet date totals €0.8 million, thereof €0.6 million vested (prior year: €0.8 million, thereof €0.5 million vested). Due to the classification as equity settled share-based payment program, the grant date fair value of benefits granted in the form of instruments

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

is recorded as personnel expense over the vesting period; the offsetting entry is made in other reserves in equity. Personnel expenses from share-based payments of €0.2 million (prior year: €1.2 million) were recorded for the period ended September 30, 2019.

Expenses for auditor's fees

	10/01/2018- 09/30/2019 EUR m	10/01/2017- 09/30/2018 EUR m
Audit of financial statements	0.8	0.6
Other assurance and audit-related services	0.0	0.0
Tax consultation services	0.0	0.0
Other services	0.5	0.5
Total	1.3	1.1

The fees for the auditor of the Consolidated Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft, in accordance with Section 285 (17) German Commercial Code (HGB) came to €1.3 million in total (prior year: €1.1 million) for the period ended September 30, 2019; thereof €0.8 million for the audit of financial statements (prior year: €0.6 million) and €0.5 million for other services (prior year: €0.5 million).

Events after the balance sheet date

There have been no adjusting events between the consolidated balance sheet date and the date of approval of the Consolidated Financial Statement for publication.

Options according to Sections 264 (3) and 264b German Commercial Code (HGB)

In application of Sections 264 (3) and 264b German Commercial Code (HGB), the following German subsidiaries have refrained from preparing notes to the financial statements and a management report as well as from disclosing their annual financial statements.

Company	Registered Office	Refrain/Exemption from		
		preparation of notes	preparation of management report	disclosing annual financial statements
Douglas GmbH	Düsseldorf	x	x	x
Parfümerie Douglas GmbH	Düsseldorf	x	x	x
DOUGLAS INFORMATIK & SERVICE GmbH	Hagen	x	x	x
Buch & Medien GmbH	Hagen	x		x
inter-moda GmbH	Hagen	x		x
Parfümerie AKZENTE GmbH	Pfedelbach	x	x	x
Douglas Eigenverwaltungsgesellschaft mbH (formerly Douglas Logistik GmbH)	Hagen	x	x	x
Douglas Cosmetics GmbH	Düsseldorf	x	x	x
Douglas Marken- und Lizenzen GmbH & Co. KG	Zossen			x
Parfümerie Douglas Deutschland GmbH	Düsseldorf	x	x	x
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Zossen			x
Parfümerie Douglas International GmbH	Hagen	x		x
Douglas GmbH & Co. Objekt Zeil KG	Pullach im Isartal			x
Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH	Zossen	x	x	x

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Shareholdings

Name and registered office Companies included in the Consolidated Financial Statements	09/30/2019 Share in %
Kirk Beauty One GmbH, Düsseldorf	
Douglas GmbH, Düsseldorf	100.0
Parfümerie Douglas GmbH, Düsseldorf	100.0
Parfümerie Douglas Deutschland GmbH, Düsseldorf	100.0
Douglas Cosmetics GmbH, Düsseldorf	100.0
Parfümerie Douglas International GmbH, Düsseldorf	100.0
Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100.0
Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100.0
Profumerie Douglas S.P.A., Milan/Italy	100.0
Parfümerie Douglas AG, Baar/Switzerland	100.0
Parfumerie Douglas Inc., Westport/USA	100.0
Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100.0
Douglas Ungarn Kft., Budapest/Hungary	100.0
Douglas Polska SP.z.o.o., Warsaw/Poland	100.0
Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100.0
Douglas Investment B.V., Nijmegen/The Netherlands	100.0
Parfumerie Douglas s.r.o., Prague/Czech Republic	100.0
Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100.0
UAB "Douglas LT", Vilnius/Lithuania	100.0
SIA "Douglas Latvia", Riga/Latvia	100.0
SIA "Douglas Baltic", Riga/Latvia	100.0
Parf. Douglas S.R.L., Bukarest/Romania	100.0
Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76.0
DESG-Douglas Verwaltungs- und Beteiligungs GmbH, Zossen	100.0
Douglas Parfumerije d.o.o., Zagreb/Croatia	100.0
Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen	100.0
Douglas Eigenverwaltungsgesellschaft mbH, Zossen (formerly Douglas Logistik GmbH)	100.0
Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100.0
Douglas Marken und Lizenzen GmbH & Co. KG, Zossen	100.0
Douglas Franchise B.V., Nijmegen/The Netherlands	100.0
Al Perfume France S.A.S., Villeneuve d'Ascq/France	100.0
Groupe Nocibé SAS, Villeneuve d'Ascq/France	100.0
Groupe Nocibé France SAS, Villeneuve d'Ascq/France	100.0
Nocibé France SAS, Villeneuve d'Ascq/France	100.0
Nocibé France Distribution SAS, Villeneuve d'Ascq/France	100.0
Douglas Vastgoed B.V. I, Nijmegen/The Netherlands	100.0
Douglas Vastgoed B.V. II, Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands Holding B.V., Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands B.V., Nijmegen/The Netherlands	100.0
Groupe Douglas France SAS, Villeneuve d'Ascq/France	100.0
Parfümerie Douglas Slowenska s.r.o., Bratislava/Slowakia	100.0
Compania de Almacenaje, Distribucion y Servicios S.A., Madrid/Spain	100.0
Douglas Spain SA, Madrid/Spain (formerly Ibérica de Droguerla y Perfumerla S.A.U.)	100.0
Douglas Italia S.p.A., Milan/Italy (formerly Limoni S.p.A.)	100.0
Passera distribució S.L., Andorra	100.0
Douglas Italia Co. Investment S.r.l.	100.0
Ultimate Skin Aesthetics GmbH, Düsseldorf	100.0
Parfümerie AKZENTE GmbH, Pfedelbach	80.0
Ltd. Douglas Estonia, Tallinn/Estonia	100.0
DOUGLAS Informatik & Service GmbH, Hagen	100.0
Douglas Holding B.V., Nijmegen/The Netherlands	100.0
Niche-Beauty.COM GmbH, Hamburg	51.0
Beauty Media Solutions GmbH, Düsseldorf	100.0
inter-moda GmbH, Hagen	100.0
Buch & Medien GmbH, Hagen	100.0
Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88.0

Notes to the Consolidated Financial Statements--(Continued)

Kirk Beauty One GmbH, Düsseldorf as at September 30, 2019

Name and registered office <u>Companies included in the Consolidated Financial Statements</u>	<u>09/30/2019 Share in %</u>
DOUGLAS Grundbesitz GmbH, Hagen	100.0
Douglas Finance B.V., Nijmegen/The Netherlands	100.0
Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH, Zossen	100.0
Companies valued at cost	
Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover	30.0
Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hannover	30.0
GPD Cartera 2, S.L., Madrid/Spain	20.0

Düsseldorf, December 12, 2019

Kirk Beauty One GmbH
Management



Tina Müller



Matthias Born

Independent Auditor's Report

Note: The following "Independent Auditor's Report" in accordance with par. 322 of German Commercial Code (HGB) relates to the Consolidated Financial Statements as described above, together with the Group Management Report of Kirk Beauty One GmbH for the financial year from October 1, 2018 to September 30, 2019. The Group Management Report is not part of the information, which is issued as part of this online publication with the Auditor's Report. The enclosed wording is a translation of the German original.

Independent Auditor's Report

To Kirk Beauty One GmbH, Düsseldorf

Opinions

We have audited the Consolidated Financial Statements of Kirk Beauty One GmbH, Düsseldorf, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at September 30, 2019, the Consolidated Statement of Profit or Loss, the Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income, the Statement of Changes in Group Equity, the Consolidated Statement of Cash Flows for the financial year from October 1, 2018 to September 30, 2019, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of Kirk Beauty One GmbH for the financial year from October 1, 2018 to September 30, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2019, and the profit or loss for the financial year from October 1, 2018 to September 30, 2019, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and presents the opportunities and risks of future development appropriately.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections relating to the legal compliance of the Consolidated Financial Statements and the Group Management Report.

Basis for the Opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" of our auditor's report. We are independent from the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Consolidated Financial Statements and on the Group Management Report.

Other Information

Management is responsible for the other information. The other information comprises the information in the Financial Report, which is published in English language, with the exception of the audited Consolidated Financial Statements and Group Management Report and our auditor's report.

Our opinions on the Consolidated Financial Statements and on the Group Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Consolidated Financial Statements, with the Group Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group. In addition, management is responsible for such internal controls as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the accounting principle of "going concern" unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position, is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and presents the opportunities and risks of future development appropriately. In addition, management is responsible for such precautions and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and presents the opportunities and risks of future development appropriately, as well as to issue an auditor's report that includes our opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatements in the Consolidated Financial Statements and in the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control system relevant to the audit of the Consolidated Financial Statements and of precautions and measures relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management’s use of the accounting principle of “going concern” and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with [German] law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We discuss with those charged with governance, among other matters, the planned scope and the timing of the audit and significant audit findings, including any significant deficiencies in internal control system that we identify during our audit.

Cologne, December 13, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

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