IMPORTANT NOTICE

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

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

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

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

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

The 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 electronic transmission and consequently neither (i) Wepa Hygieneprodukte GmbH or any of its affiliates, nor (ii) the Initial Purchasers named in the preliminary offering memorandum or any person who controls any of them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any alterations to the preliminary offering memorandum distributed to you in electronic format.

SUBJECT TO COMPLETION, DATED MAY 9, 2016

PRELIMINARY OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Wepa Hygieneprodukte GmbH

€450,000,000 % Senior Secured Notes due 2024

Wepa Hygieneprodukte GmbH, organized as a limited liability company (*Gesellschaft mit beschränkter Haftung)* under German law (the "**Issuer**"), is offering (the "**Offering**") €450,000,000 aggregate principal amount of % senior secured notes due 2024 (the "**Notes**"). Interest on the Notes will be payable semi annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2016. The Notes will mature on May 15, 2024.

The Issuer may redeem all or part of the Notes on or after May 15, 2019 at the redemption prices set out in this offering memorandum. Prior to May 15, 2019, the Issuer may redeem, at its option, all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, plus the Applicable Premium, as described in this offering memorandum. In addition, prior to May 15, 2019, the Issuer may also redeem at its option up to 35% of the original principal amount of the Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

The Notes will be governed by German law and will constitute senior obligations of the Issuer, will be secured by first ranking liens over the Collateral (as defined below) (although any liabilities in respect of obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations (each as defined herein) that are secured by the Collateral will receive priority over the Notes with respect to any proceeds received upon any enforcement action over the Collateral), will rank equal among themselves and equal in right of payment with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes, will be effectively subordinated to all existing and future indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness, will rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, and will be structurally subordinated to all existing and future indebtedness of the subsidiaries of the Issuer that are not Guarantors (as defined below).

The Notes will be guaranteed (the "**Guarantees**") on a senior basis by certain subsidiaries of the Issuer (the "**Guarantors**"). The Notes will be secured by first ranking liens over shares of or the partnership interests in the Issuer, each Guarantor and Wepa Produktion Verwaltungs-GmbH, certain machinery and equipment and real property in Germany as well as any receivables of the Parent against the Issuer (the "**Collateral**") as described in more detail under "*Description of the Notes—General—Security; Release of Collateral*". The Guarantees and the security interests over the Collateral will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*". The Guarantees and the security interests may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Holders' Representative*", "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—General—Security; Release of Collateral*".

This offering memorandum includes information on the terms of the Notes and the Guarantees, including with regard to redemption and repurchase prices, guarantees, covenants and transfer restrictions. The Notes will be represented by global notes deposited with Clearstream Banking AG, Frankfurt am Main, Germany ("**Clearstream Banking**"). Definitive notes representing individual Notes will not be issued. Transfer of the Notes will be subject to the rules of Clearstream Banking and the terms of a book entry registration agreement ("**Book Entry Registration Agreement**") among Clearstream Banking and the Issuer with respect to the Notes. The Notes will be issued in denominations of €1,000 and will be transferable only in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. For the purposes of the secondary market trading on the Luxembourg Stock Exchange, the minimum transfer amount is one Note. The Notes will be ready for delivery, in book entry form only, on or about , 2016.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended. There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF market (the "**Euro MTF**"), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments. There can be no assurance that any such listing will be granted or maintained.

Investing in the Notes involves a high degree of risk. See *"Risk Factors" beginning on page 23.*

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

Price for the Notes: % plus accrued interest, if any, from the issue date.

Sole Global Coordinator and Joint Bookrunner

Deutsche Bank

Joint Bookrunner

HSBC

The date of this offering memorandum is , 2016.



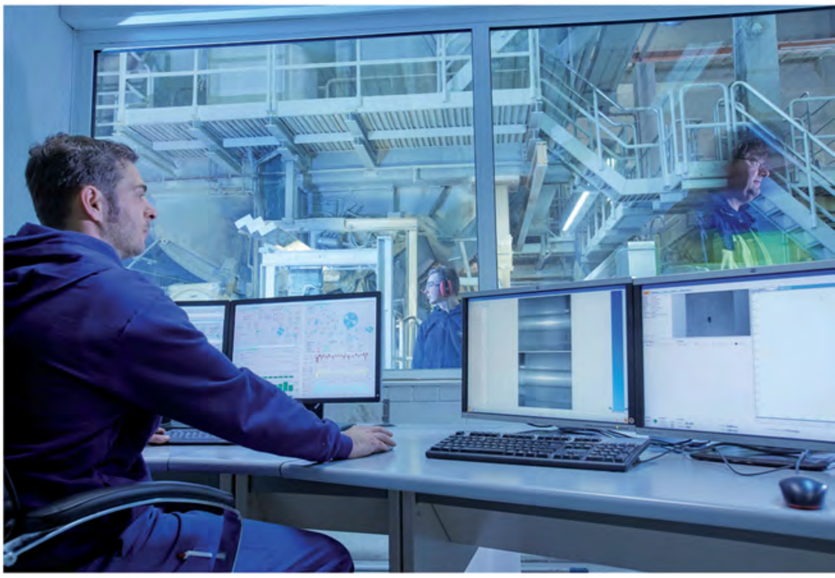



TABLE OF CONTENTS

NOTICE TO INVESTORS

You should rely only on the information contained in this offering memorandum. None of the Issuer or the Joint Bookrunners listed on the cover page (and each as defined below) has authorized anyone to provide you with any information or represent anything about the Issuer, its financial results or this Offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or any of the Joint Bookrunners. None of the Issuer or the Joint Bookrunners is offering the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as at any date other than the date on the front cover of this offering memorandum.

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

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

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

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

This offering memorandum is being provided for informational use solely in connection with their consideration of the purchase of the Notes (1) to QIBs as defined in Rule 144A under the U.S. Securities Act, and (2) to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

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

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

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

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

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

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

SETTLEMENT CYCLE

It is expected that delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of the offering memorandum, which will be the tenth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+10"). Under Rule 15(c)6-1 under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next six succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next six succeeding business days should consult their own advisor.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, AS AMENDED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR

A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive (as defined below) as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer is not being made and will not be made to the public of any Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State, other than:

(a) to any legal entity that is a "qualified investor" as defined in the Prospectus Directive;

(b) to fewer than 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by us for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a "qualified investor" and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

Germany

The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as amended, the Commission Regulation No (EC) 809/2004 of April 29, 2004, as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been approved under the German Securities Prospectus Act or the Prospectus Directive and, accordingly, the Notes may not be offered publicly in the Federal Republic of Germany. The Notes will be offered in the Federal Republic of Germany in reliance on an exemption from the requirement to publish an approved securities prospectus under the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 (3) of the German Securities Prospectus Act.

United Kingdom

Members of the public are not eligible to take part in this Offering. This offering memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies", "unincorporated associations", etc.) of the Financial Promotion Order, (c) are outside the United Kingdom, or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") in connection with the issue or sale of the Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this offering memorandum are not permitted to transmit it to any other person. Persons distributing this offering memorandum must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

France

This offering memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L. 411-1 of the French Monetary and Financial Code and Title I of Book II of the *Réglement Général* of the *Autorité des marchés financiers* (the French Financial Markets Authority) (the "**AMF**") and therefore has not been submitted for clearance to the AMF or any other competent authority of another state that is a contracting party to the agreement on the EEA and notified to the AMF. Consequently, the Notes have not been and will not be, directly or indirectly, offered or sold to the public in France, and neither this offering memorandum nor any other offering or marketing material relating to the Notes has been or will be distributed or caused to be distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

Such offers, sales and distribution of the Notes have been and will only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1, D. 411-2, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code and applicable regulations thereunder.

Prospective investors are informed that: (i) this offering memorandum has not been and will not be submitted for clearance to the AMF; (ii) in compliance with Articles L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code, any qualified investors subscribing for the Notes should be acting for their own account; and (iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Monetary and Financial Code.

Luxembourg

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

Italy

The offering of the Notes has not been cleared by Commissione Nazionale per le Società e la Borsa, the Italian Securities Exchange Commission ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Guarantors, or the Notes may be issued, distributed or published in Italy, either on the primary or on the secondary market, except:

(a) to qualified investors (*investitori qualificati*), as defined by Article 26, first paragraph, letter d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**CONSOB Regulation on Intermediaries**"), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Securities Act**"), and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**CONSOB Regulation on Issuers**"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Securities Act and/or CONSOB Regulation on Issuers.

Any offer, sale, resale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Securities Act, CONSOB Regulation on Intermediaries and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"); and

(ii) in compliance with Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other competent Italian authority.

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

Poland

The Notes may not be offered or sold in or into Poland except under circumstances that do not constitute a public offering of securities under Polish Law on Public Offer, Conditions Governing the Introduction of Financial Instruments to Public Trading and Public Companies of July 29, 2005 (as amended). This offering memorandum is not a prospectus and it has not been and will not be approved by the Komisja Nadzoru Finansowego, the Polish Financial Supervision Authority. Therefore, any offer or sale of the Notes in Poland can be made pursuant to the exemptions as defined under Article 3(2) of the Prospectus Directive and Polish Law on Public Offer, Conditions Governing the Introduction of Financial Instruments to Public Trading and Public Companies of July 29, 2005 and any regulation made thereunder, as supplemented and amended from time to time. This offering memorandum is intended for "qualified investors" (*klient profesjonalny*), as defined in the Polish Law on Trading in Financial Instruments of July 29, 2005 (as amended) and a limited number (less than 150) of unqualified identified investors in Poland.

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

FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, including our 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:

- fluctuations in the costs of our raw materials and other input costs and our ability to pass on increases to our customers;
- increases in energy costs and loss of financial privileges in this respect;
- our ability to secure a reliable supply of raw materials, including recycled paper;
- currency exchange rate fluctuations;
- the availability of, and increases in the costs of, transportation;
- changes in the purchasing behaviour of our customers;
- pricing pressure, consolidation of our customers and competition in the markets in which we operate;
- loss of key customers or key personnel;
- strikes or other labor disputes with our work force;
- break-down of any of our equipment or industrial accidents;
- IT system failure or data loss;
- adverse effects arising from costs and difficulties of acquiring and integrating complementary businesses;
- risks arising from uncertainties regarding the European Monetary Union;
- tax risks attributable to previous tax assessment periods and risks associated with restrictions on the deduction of interest expense or forfeiture of interest carry forwards under German tax laws;
- our substantial leverage and debt service obligations;
- limited operating flexibility due to financial and restrictive covenants in our debt agreements;
- risks of a default under our debt agreements, which could result in an acceleration of repayment;
- risks associated with our capital structure, the Notes, the Guarantees and our other indebtedness;
- force majeure and other unforeseeable events;
- other factors discussed in "*Risk Factors*".

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

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

Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made (and in any case no later than the date of this offering memorandum). In addition, from time to time, we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statements or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to 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

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

"**Agency Agreement**" are to the agency agreement to be dated as of or prior to the Issue Date and made between, among others, the Paying Agent, the Issuer and any other parties named therein, as amended, restated or otherwise modified or varied from time to time;

"**ABS Program**" are to the asset-backed security finance program, as described in "*Description of Other Indebtedness—ABS Program*";

"**AfH**" are to Away-from-Home and refers to the business with large commercial and institutional customers, such as government agencies, hotels, restaurants and hospitals, as further described in "*Business*".

"**British Pound**" are to the lawful currency of the United Kingdom;

"**Cash Management Liabilities**" are to the cash management liabilities as defined under "*Description of Other Indebtedness—Intercreditor Agreement*";

"**Collateral**" are to the collateral as described under "*Description of the Notes—General—Security; Release of Collateral*";

"**Company**" or to the "**Issuer**" are to Wepa Hygieneprodukte GmbH, a limited liability company incorporated under the Laws of Germany as a *Gesellschaft mit beschränkter Haftung*, the issuer of the Notes;

"**Conditions of Issue**" are to the terms and conditions of the Notes as summarized in "*Description of the Notes*";

"**Consumer**" are to our division focusing on sales to German and European retailers, as further described in "*Business*";

"**Continuous Improvement Process**" are to our ongoing profitability and liquidity improvement program as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Process*";

"**De-inked pulp**" are to de-inked pulp which is produced as another alternative raw material next to virgin pulp and is made from recovered paper. We use de-inked pulp in the production of recycled and hybrid tissue paper products;

"**Escrow Agent**" are to Deutsche Bank AG, London Branch, in its capacity as escrow agent;

"**euro**", "**euros**", "**EUR**" or "**€**"are to the single currency of the participating member states in the "Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community", as amended from time to time;

"**Existing Notes**" are to the €327,000,000 principal amount of 6.5% senior secured notes due 2020 issued by the Issuer;

"**German GAAP**" are to generally accepted accounting principles (*Grundsätze ordnungsmäßiger Buchführung*) in the Federal Republic of Germany as in effect from time to time;

"**Guarantee Agreement**" are to the agreement to be entered into among the Security Agent and the Guarantors in relation to the Guarantees on or about the Issue Date;

"**Hedging Obligations**" are to certain hedging obligations which will be secured by the Collateral pursuant to the terms of the Intercreditor Agreement;

"**Holders**" are to any holder of a proportionate co-ownership or other beneficial interest or right in the Notes;

"**Holders' Representative**" are to Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, in its capacity as the common representative (*gemeinsamer Vertreter*) of the Holders;

"**IFRS**" are to the International Financial Reporting Standards as adopted by the European Union;

"**Initial Purchasers**" are to Deutsche Bank AG, London Branch, and HSBC Bank plc;

"**Intercreditor Agreement**" are to the intercreditor agreement originally dated May 8, 2013 as to be amended by an amendment agreement to be entered into on or about the Issue Date among, *inter alios*, the Issuer and any other entity which accedes to the Intercreditor Agreement as a debtor, the Security Agent, the lenders under the Senior Revolving Credit Facility, the agent under the Senior Revolving Credit Facility and the Holders' Representative, which is described in more detail under "*Description of Other Indebtedness—Intercreditor Agreement*";

"**Issue Date**" are to the date of original issuance of the Notes;

"**Jumbo reels**" are to the semi-finished product produced by our paper machines. Jumbo reels are very large rolls of tissue paper and are also sometimes referred to as "parent rolls". We convert jumbo reels into finished products with our converting lines;

"**Management Board**" are to the management board of WEPA Industrieholding SE, our Parent.

"**Northwood & WEPA**" are to Northwood & WEPA Ltd., a 50:50 joint venture in the United Kingdom, originally established in 2013 by members of the Krengel family (the owners of the WEPA Group) and members of the Fecher family (the owners of Northwood Paper) in the United Kingdom, in which we hold a 50% stake;

"**Offering**" are to the offering of the Notes to which this offering memorandum relates;

"**Parent**" are to WEPA Industrieholding SE, a European Company incorporated under the Laws of Germany, our parent holding company;

"**Parent Up-Stream Loan**" are to the Parent Up-Stream Loan as defined under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*";

"**Paying Agent**" are to Deutsche Bank AG, in its capacity as paying agent;

"**PLN**" or "**Polish Zloty**" are to the lawful currency of the Republic of Poland;

"**Priority Hedging Obligations**" are to certain hedging obligations which (subject to the respective designation to be made pursuant to the terms of the Intercreditor Agreement) will, together with the Senior Revolving Credit Facility and the Cash Management Liabilities, be secured by the Collateral on a super priority basis pursuant to the terms of the Intercreditor Agreement;

"**Private label**" are to products being sold under the in-house labels of our retail customers;

"**Recovered paper**" are to the waste paper we use to produce de-inked pulp;

"**Redemption Date**" are to the date of redemption of the Existing Notes, which we expect to be June , 2016;

"**Refinancing**" are to the Refinancing as defined under "*Summary—The Refinancing and Certain Related Transactions*";

"**Security Agent**" are to Commerzbank Aktiengesellschaft, in its capacity as security agent;

"**Senior Revolving Credit Facility**" are to our senior revolving credit facility as described under "*Description of Other Indebtedness—Senior Revolving Credit Facility*";

"**Supervisory Board**" are to the supervisory board of the Parent;

"**United Kingdom**" or "**UK**" are to the United Kingdom of Great Britain and Northern Ireland;

"**United States**" or "**U.S.**" are to the United States of America; and

"**U.S. dollar**" or "**U.S.$**" are to the lawful currency of the United States.

In addition, unless otherwise specified or the context otherwise requires, the terms "we", "our", "us", "WEPA", "WEPA Group", "Group" and other similar terms refer to the Issuer and its consolidated subsidiaries.

PRESENTATION OF FINANCIAL INFORMATION

General

In this offering memorandum, the term "financial statements" refers to the audited consolidated financial statements and the notes thereto of the Issuer and its consolidated subsidiaries as of and for the fiscal years ended December 31, 2013, 2014 and 2015 and the unaudited interim consolidated financial statements and notes thereto of the Issuer and its subsidiaries as of and for the three-month period ended March 31, 2016 as well as from the accounting records and other internal documents of the Issuer. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period. The audit opinions of KPMG AG Wirtschaftsprüfungsgesellschaft with respect to the consolidated financial statements as of and for the fiscal years ended December 31, 2013, 2014 and 2015 are included in this offering memorandum beginning on page F-1. Furthermore, we have included in this offering memorandum the unaudited interim consolidated financial statements of the Issuer as of and for the three-month period ended March 31, 2016, which include comparative figures for the three-month period ended March 31, 2015.

In addition, this offering memorandum includes certain unaudited consolidated financial information for the 12 months ended March 31, 2016. This information was derived by adding our consolidated financial information for the year ended December 31, 2015 derived from our audited consolidated financial statements to our unaudited consolidated financial information for the three months ended March 31, 2016 and subtracting our unaudited consolidated financial information for the three months ended March 31, 2015.

Our financial statements included in this offering memorandum have been prepared in accordance with German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS*".

In making an investment decision, you must rely upon your own examination of the terms of the Offering to which this offering memorandum relates and of the financial statements and financial information contained in this offering memorandum. We do not present separate financial statements of the Guarantors in this offering memorandum, because all such entities are wholly-owned, directly or indirectly, by the Issuer, and the financial position, results of operations and cash flows of such entities are therefore consolidated within our financial statements contained herein.

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

Certain numerical figures set out in this offering memorandum, including financial data and operational volumes presented in million or thousand and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. The financial information and financial statements included in this offering memorandum are presented in euro. Amounts presented in euro per ton are not part of the financial statements but are taken from the management reporting of the Group.

Non-GAAP Financial Measures

In this offering memorandum, we present certain non-GAAP measures and ratios, including gross profit, EBITDA, EBIT, income/(loss) before tax, trade working capital, free cash flow, free cash flow available for debt service, adjusted free cash flow and pro forma data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operating activities, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including gross profit, EBITDA, EBIT, income/(loss) before tax, trade working capital, free cash flow, free cash flow available for debt service, adjusted free cash flow and pro forma data presented by us may not be comparable to similarly titled measures used by other companies.

INDUSTRY AND MARKET DATA

We operate in an industry for which it is difficult to obtain precise industry and market information. Market data and certain economic and industry data and forecasts used, and statements regarding our position in the industry made, in this offering memorandum are based upon market research, government and other publicly available information, reports prepared by independent industry consultants and independent industry publications. In particular, we used data extracted from "Outlook for World Tissue Business 2014/2015" published by RISI in July 2015. We also used data extracted from Price Forecast Update for pulp, published by Hawkins Wright in March 2016, among others. The information in this offering memorandum that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. While we believe the statements included in such third-party publications to be reliable, they have not been independently verified, and neither we nor the Initial Purchasers make any representation or warranties as to the accuracy or completeness of such information set forth in this offering memorandum. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. See also "*Risk Factors—Risks Related to Our Industry and Our Business—The information available to market analysts varies in its degree of comparability*". Some industry publications publish or provide projections or other forward-looking statements that, by their very nature, involve inherent risks and uncertainties and past projections or forward-looking statements have turned out to be inaccurate. See "*Forward-Looking Statements*". Neither we nor the Initial Purchasers can therefore assure you of the accuracy and completeness of such information as we have not independently verified such information.

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

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum, all references to "**euro**", "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "**U.S. dollars**" and "**US$**" are to the lawful currency of the United States of America. All references to "**British pounds**", "**GBP**" or "**£**" are to the lawful currency of the United Kingdom and all references to "**PLN**" or "**Polish zloty**" are to the lawful currency of the Republic of Poland.

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

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

The Bloomberg Composite Rate of the euro on May 5, 2016 was US$1.1405 per €1.00.

	U.S. dollars per €1.00			
	Period end	Average	High	Low
Year				
2011	1.2959	1.3924	1.4830	1.2907
2012	1.3192	1.2860	1.3458	1.2061
2013	1.3743	1.3285	1.3804	1.2780
2014	1.2098	1.3285	1.3932	1.2098
2015	1.0856	1.1102	1.2103	1.0497
Month				
October 2015	1.1007	1.1220	1.1474	1.0923
November 2015	1.0565	1.0742	1.1016	1.0565
December 2015	1.0856	1.0899	1.1025	1.0614
January 2016	1.0823	1.0867	1.0940	1.0747
February 2016	1.0873	1.1104	1.1324	1.0873
March 2016	1.1380	1.1142	1.1380	1.0868
April 2016	1.1446	1.1339	1.1446	1.1220
May 2016 (through May 5, 2016)	1.1405	1.4730	1.1532	1.1405

For information on the impact of fluctuations in exchange rates on our operations, see "*Risk Factors—Risks Related to Our Industry and Our Business—We are exposed to currency exchange rate fluctuations*".

SUMMARY

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

OUR COMPANY

Overview

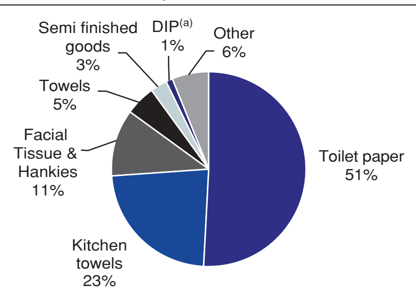
We are a leading, family-owned producer and supplier of tissue products in Europe with a market share (by production volumes) of approximately 25% in Germany and approximately 7% in Europe, according to "Outlook for World Tissue Business (10-Year Forecast) 2014-2015" published by RISI in July 2015 (the "**RISI Report**"). The tissue market exhibits resilient demand characteristics with low product substitution risk. We are the third largest producer of tissue products in Europe and we believe we are the second largest private label tissue producer in Europe, in both cases, by volume. Private label tissue products are marketed and sold by our customers through their retail stores under their own in-house labels. We believe private label products offer higher growth potential than branded products.

We are headquartered in Arnsberg, Germany, and operate 19 paper machines and 85 converting lines in eleven production sites strategically located across Europe in Germany, Italy, France, Poland and, through Northwood & WEPA Ltd. (our joint venture with Northwood Paper), in the United Kingdom. Our annual tissue production capacity is 720,000 tons and our annual tissue converting capacity is 670,000 tons (in each case including Northwood & WEPA). Approximately 55% of our production and 46% of our converting capacity is located in Germany, our core market and Europe's largest tissue market. We also own technically advanced facilities for the production of de-inked pulp from recovered paper, with an annual capacity of more than 200,000 tons. In 2015, we sold more than 583,000 tons of finished tissue products, 25,000 tons of jumbo reels and 15,000 tons of de-inked pulp across Europe, which generated €924.9 million and €125.1 million of revenue and EBITDA, respectively. During the fiscal year ended December 31, 2015 we employed an average of 2,816 employees, excluding Northwood & WEPA and excluding GC & WEPA (our former joint venture with Goma Camps in Spain). In the three-month period ended March 31, 2016, we sold 148,000 tons of finished tissue products, 7,000 tons of jumbo reels and 2,000 tons of de-inked pulp across Europe, which generated approximately € 238.7 million and €33.5 million of revenue and EBITDA, respectively. During the same period, we employed an average of 2,884 employees.

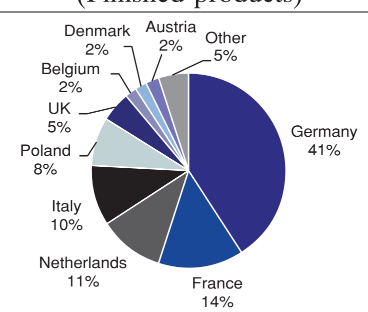
We offer a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels as well as semi-finished products (i.e. jumbo reels and de-inked pulp). Toilet paper and kitchen towels accounted for 74% of our revenues in 2015 and for 71% of revenues in the three-month period ended March 31, 2016.

Sales Breakdown 2015

By Product

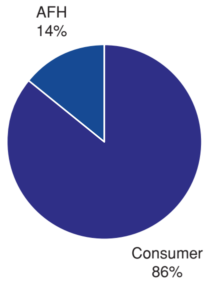


By Geography
(Finished products)

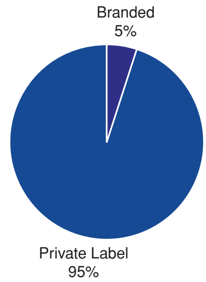


(a) DIP: De-inked pulp (recycled waste paper)

By Division
(Finished products)



Branded vs. Private Label
(Consumer division only)



We operate our business in two divisions, Consumer and Away-from-Home ("**AfH**"). Consumer, which represented 86.4% of our revenues from finished products in 2015 and 87.2% in the three-month period ended March 31, 2016, focuses on the German and the wider European retail sector. Consumer products are primarily branded under our customers' private labels and comprise mainly toilet paper, kitchen towels, facial tissues, handkerchiefs and napkins. The strategy of our Consumer division is to focus on the private label sector, although it also markets some products under its own brands such as Mach mit..., Comprami, Perla and Scala. AfH, which has a more regional focus within Central Europe and Poland, focuses on sales to large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. AfH offers a broad range of tissue products under our own "WEPA" brand and under our customers' brands, including toilet paper and paper towels, as well as dispenser systems for use in washrooms and cleaning.

Consumer and AfH together supply approximately 230 customers. Consumer serves most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, Netto, REWE and Rossmann in Germany, Auchan, Carrefour, Casino and Leclerc in France, Coop and Eurospin in Italy, Biedronka in Poland and, through our UK joint venture Northwood & WEPA, Sainsbury and Tesco in the United Kingdom. AfH serves leading distributors in the professional hygiene sector, such as GVS eG and igefa in Germany, cash & carry wholesalers as well as distributors for office supplies. We have long-standing relationships with most of our key customers, some dating back more than 30 years.

Our Strengths

We believe that we benefit from the following strengths:

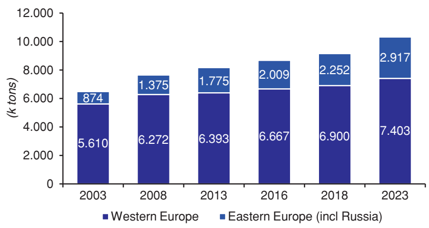
Leading Market Positions

We are the third largest tissue producer in Europe and the second largest tissue producer in our core market of Germany, in both cases based on volume, according to the RISI Report and taking into account the 32,000 tons of additional annual paper production capacity acquired in connection with our acquisition of the production site in Troyes effective March 1, 2015. Unlike many of our competitors, who serve both the branded and private label sectors, we focus on the key private label sector. We believe we are the second largest manufacturer of private label tissue products in Europe based on volume. We believe our European network of eleven strategically located production sites, our significant investments into expanding and optimizing our production capabilities as well as our high quality products make us an attractive partner for large retailers across Europe. In addition, we believe we are the leading producer by volume of recycled tissue products in the consumer sector in Europe, and we own technically advanced facilities for the recycling of recovered paper in Arnsberg, Giershagen and Mainz, with an annual capacity of more than 200,000 tons of de-inked pulp production. We use most of the de-inked pulp that we produce in the production of our own recycled and hybrid (i.e. using both virgin pulp and de-inked pulp) tissue products. We also have the capability to dry and prepare up to 80,000 tons of any surplus de-inked pulp for sale to third parties. These capabilities make us a leader in recycled and hybrid tissue products and particularly well positioned to offer our customers ecologically sustainable products. In addition, we believe our significant scale, purchasing power and geographic coverage gives us a competitive advantage over smaller players and the ability to compete with other leading players in the market.

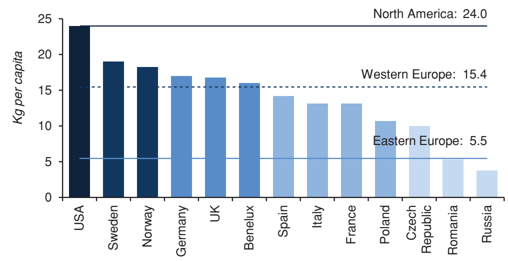
Attractive and Resilient End-Markets

Our core tissue products benefit from utility-like consumer demand, with high penetration rates, low substitution risk and resilient demand characteristics. According to RISI, between 2003 and 2013, consumption of tissue products in Western Europe grew by 1.3% per annum and in Eastern Europe by 7.3% per annum, with demand for our core products remaining stable during the 2008-2009 recession. For the period between 2013 and 2022, RISI expects the growth rate of tissue consumption in Western Europe to be broadly in line with historical growth levels, and growth rates in Eastern Europe to continue to substantially exceed rates in Western Europe. Current consumption levels in Western Europe are still substantially below other developed regions such as the United States, and consumption levels in Eastern Europe are significantly below Western Europe. We believe that demographic changes, increased urbanization, higher product penetration levels, and developments in tissue quality and softness (such as multi-ply products) will continue to underpin continuing demand growth for our products.

Forecast of tissue demand 2001-2022



Per capita consumption: 2013 breakdown



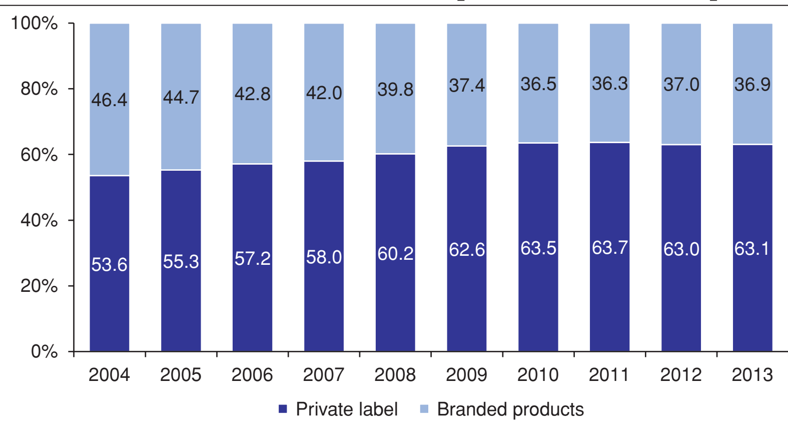
Source: RISI Report

Focus on Key Private Label Sector

We believe we are the second largest tissue producer in Europe by production volume in the key private label sector, which dominates our core market of Germany (representing 84.4% of the overall German tissue market in 2013) and many other European countries where we operate. In recent years, private label tissue products have gained market share in Western Europe relative to branded products, increasing from 57.8% in 2007 to 63.4% in 2013, a trend that was also seen in our largest product category, toilet paper, according to the RISI Report. This increase has been driven by the expansion of discount retailers such as Aldi and Lidl in Germany, who primarily sell own-label goods (private label), as well as by consumers substituting higher-priced branded products with lower-priced private label products of comparable quality. We believe that our focus on the private label sector positions us well to capture growth opportunities in this resilient and key market and makes us a particularly attractive partner for our key customers. As a private label specialist, our customers can be confident that our interests are aligned and that we are fully committed to helping them strengthen their own in-house brands.

The toilet tissue market has been indicative of the wider tissue market's shift from branded to private label products. The following chart shows the steady increase of the market share of private label toilet paper, which accounts for roughly half of the general tissue market, between 2004 and 2013 in Western Europe.

Toilet Tissue: Private Label development (Western Europe)



Sources: RISI—Outlook for world tissue business forecast (2009, 2013 and 2015)

Broad, Strong and Long-Standing Customer Base

We have established a strong and long-standing customer base, with some of our customer relationships dating back more than 30 years. We have grown with our large German customers as they have expanded across Europe and have also successfully entered into new relationships with key customers outside of Germany. Today, we supply approximately 230 customers in our two divisions, including most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, Netto, REWE and Rossmann in Germany, Auchan, Carrefour, Casino, ITM and Leclerc in France, Coop and Eurospin in Italy, Biedronka in Poland and, through our UK joint venture Northwood & WEPA, Sainsbury and Tesco in the United Kingdom. The customers of our AfH division include the leading distributors in the professional hygiene sector (such as GVS and igefa in Germany), cash & carry wholesalers as well as distributors for office supplies. We believe that our ability to provide high-quality, cost-effective and innovative products has enabled us to benefit from a trend among major retailers to consolidate their supplier bases and work with larger partners that have the scale and quality to supply retailers efficiently across their key markets. We are able to foster strong partnerships of mutual dependence with our customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. Our strong customer relationships are reinforced through a combination of our geographic coverage, our manufacturing and logistics excellence, and our significant past and ongoing investments into expanding and optimizing our production capabilities. We believe that there are only very few alternative suppliers with the capacity and geographic proximity that would enable them to provide a competitive offering and to replace us as a strategic supplier to many of our key customers.

Strategically Located Production Facilities

We operate eleven production sites strategically located across Europe in Germany, Italy, France, Poland and, through Northwood & WEPA, in the United Kingdom. This network largely mirrors the footprint of our key pan-European customers and thus enables us to supply our customers in a timely and cost-effective manner. Mainly due to proportionally high freight costs relative to the value of products shipped, it is not economical for participants in our industry to supply customers more than a certain distance from a particular production site. The alignment of our production sites with the geographic footprint of our major customers is therefore an important competitive and cost advantage. In addition, our geographic footprint allows us to reduce delivery times and typically, to guarantee delivery to our customers within 48 hours from the receipt of an order. Our geographic footprint reduces our inventories by shortening the supply chain which lowers our storage and transportation costs. It also allows us to tailor individual production sites to target the specific needs of the customers in the relevant region, which improves product offering, service quality and reliability. One of the key rationales behind our recent expansion projects and ongoing investment program is the further optimization of logistics flows and freight costs within our European network and to be able to supply our key customers even more efficiently across their key markets. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*".

Low Cost Production via Efficient Asset Base

We have invested €237 million in our business over the last three years to help ensure that we have efficient production facilities that allow us to compete effectively against other tissue manufacturers. In particular, we believe that our production site in Leuna is one of the most modern and efficient tissue production and converting facilities in Europe for toilet paper and kitchen towels, as is Kriebstein with regard to handkerchiefs and facial tissues, and Giershagen with regard to the processing of recovered paper.

To maintain and further strengthen our position as a leading, low cost tissue producer in Europe, we have made a number of investments in recent years and are in the process of completing a number of additional investments which we expect to further improve the efficiency of our production facilities. For example, we successfully commenced operations of two new and highly efficient paper machines in Lille and Giershagen in August and October of 2015, respectively, which has allowed us to insource additional paper capacity and thereby to both reduce purchases of jumbo reels from third-party suppliers and further optimize logistics flows and freight costs within our European network. In addition, we are already in the process of installing another new and highly efficient paper machine at our production site in Piechowice, with production currently expected to commence in the first quarter of 2017. During 2014 and 2015, we have also already invested in several new converting lines at our production sites in Kriebstein, Müschede and Piechowice and, in late 2015, we placed orders for four additional converting lines at our production sites in Leuna, Müschede and Kriebstein as well as at our newly acquired production site in Troyes.

Our well-invested, high quality and operationally efficient asset base provides us with investment flexibility and allows us to produce a high quality, consistent product in a cost-effective manner.

Strong Financial Track Record

As part of our Continuous Improvement Process, we successfully implemented a series of cost reduction and efficiency improvement initiatives in recent years. In addition, we successfully completed a number of recent expansion and other investment projects and have developed and implemented a balanced risk management strategy.

As a result of these and other factors, we have managed to continue to significantly improve our profitability and cash position. In particular, we have managed to increase our EBITDA from €97.7 million in 2013, to €110.3 million in 2014 (excluding non-recurring other operating income of €7.5 million in connection with the acquisition of our stake in our UK joint venture), €125.1 million in 2015 and €130.2 million in the twelve-month period ended March 31, 2016. During the same period, our EBITDA margin (calculated by dividing EBITDA by total operating performance) improved from 11.4% in 2013 to 13.8% in the twelve-month period ended March 31, 2016. This improvement in our profitability is also reflected in a steady growth in our cash flow from operating activities, from €72.5 million in cash inflows in 2013, to €98.9 million in 2014, €104.5 million in 2015 and €107.5 million in the twelve-month period ended March 31, 2016. Combined with our controlled investment strategy, which should normally allow us to adapt the amount of our expansion capital expenditures in line with our projected mid-term cash requirement, we believe we are in a strong financial condition to weather and/or adapt to challenges that may face us or our industry as a whole.

Experienced Management and Committed Family Shareholders

Our company was founded in 1948 by Paul Krengel, and the WEPA Group continues to be 100% owned by members of the Krengel family. We believe this family link and the strong personal and financial commitment from our owners ensures a focus on stability and long-term value generation. Martin Krengel, in particular, has overseen the growth of the business through his role as our Chief Executive Officer and has been involved in the business since 1985. The strong personal and financial commitment of our family shareholders is augmented with a strong and highly-experienced management team with extensive industry experience, including experience with the company. Our top operational managers have gained extensive industry experience at leading companies in Germany and abroad. In addition, the Supervisory Board of WEPA Industrieholding SE, our Parent company, is comprised of members with extensive senior management experience at leading German companies as well as significant knowledge of our business.

Our Strategy

Maintain Our Position as a Leading, Low-Cost Tissue Producer in Europe through Private Label Strength and Controlled Investments

We intend to continue to leverage our leading position in the private label tissue market and capitalize on the ongoing growth of the private label tissue market through overall market growth and the sustained shift in market share from branded to private label products. In addition, to maintain and further strengthen our position as a leading, low cost tissue producer in Europe in the long-term, we intend to continue to make prudent and controlled investments to further expand and improve the efficiency of our production facilities, as long as (i) we are confident we can achieve payback periods for our investments that are aligned with the maturity profile and relevant headroom under our financing arrangements, (ii) we maintain sufficient financial flexibility to weather and/or adapt to challenges that may face us or our industry as a whole, and (iii) any such investments would be consistent with our long-term target leverage.

We have historically generated significant revenue growth through organic development as well as a series of acquisitions. Our primary focus will continue to be on organic growth, however, we will continue to evaluate any investment opportunities, including in the private label market, by considering the needs of our customers, our existing geographical footprint, the competitive landscape in our markets and our stringent investment criteria.

Broaden and deepen our partnerships with key customers

We intend to broaden and deepen our customer relationships by building on our existing reputation for providing high-quality, cost-effective products as a core component in our customers' supply chains. We will continue to enhance our product portfolio through the development of product innovations and improvements in response to customer demand, such as developing product lines like hybrid tissue products or, when economical, creating bespoke designs, for our major customers. Further, we will continue to position ourselves as a fundamental part of our customers' supply chain. By maintaining and improving our reputation for reliability and consistent delivery of high-quality products, we aim to achieve or maintain, as applicable, strategic supplier status (i.e. top-three supplier) with our key customers, thus further entrenching our position.

Balanced Risk Management to Increase Resilience

While our core tissue products benefit from utility-like demand, a number of our key input costs (including our costs of raw materials and energy costs) are affected by price fluctuations in the commodities, energy and currency markets, which can be volatile. Other factors outside our control can materially adversely affect our results of operations and financial condition.

To increase our financial resilience and flexibility and the ability to weather and/or adapt to challenges that may face us or our industry as a whole (e.g. rapid increases in pulp or energy prices or increased competition), we are pursuing a balanced risk management strategy, which relies on short- to mid-term hedging measures, our ability to preserve cash in the mid-term through the adaptation of the amount of our capital expenditures, a stable financing structure and long-term improvements to our profitability and cash generation, including through further controlled investments as well as cost-reduction initiatives implemented as part of our Continuous Improvement Process, which is described in more detail under "*—Continuous Improvement Process*" below.

In particular, we have developed a hedging strategy designed to limit our exposure to short- to mid-term fluctuations in the price of pulp, exchange rates and energy prices. Following completion of the Offering and the proposed application of the proceeds therefrom, we will also benefit from a stable, long-term financing structure and significant flexibility and headroom under both the Conditions of Issue and the Senior Revolving Credit Facility, that we expect to allow us to weather any reasonably foreseeable short- to mid-term deterioration in our financial condition or results of operations.

In addition, while we intend to continue to make prudent and controlled investments to further expand and improve the efficiency of our production facilities, we only intend to make any such investments if they meet the stringent investment criteria desribed under "*—Maintain Our Position as a Leading, Low-Cost Tissue Producer in Europe through Private Label Strength and Controlled Investments*" above and typically complete any such projects within approximately 12-18 months from original inception, which should normally allow us to adapt the amount of our expansion capital expenditures in line with our projected mid-term cash requirement. Given this flexibility, our significant recent expansion capital expenditures and the relatively high asset quality of the majority of our production facilities, we believe we could significantly reduce the amount of our capital expenditures without compromising the overall high quality of our asset base, if necessary in response to market developments or to changes in our cash flow or financial condition.

Continuous Improvement Process

The Continuous Improvement Process is a systematic and ongoing program intended to maintain our position as a cost leader in the tissue industry in Europe through continuous improvements to our profitability and cash position. As part of this Continuous Improvement Process, we are currently executing several specific initiatives focusing on portfolio optimization, production, supply chain, purchase optimization, general organization, and our operations in Italy, respectively.

As part of our Continuous Improvement Process, we are continuously working to further (i) optimize our customer and product mix by focusing on higher-margin customers and products, (ii) optimize our supply and delivery chains and generally improve efficiency, including through an improved allocation model for accepting and processing customer orders, increased standardization of our product offering and optimization of batch sizes to increase machine capacities, (iii) increase the efficiency of our production facilities through continuous modernization and capital investments and (iv) optimize our procurement processes, including by fully leveraging our purchasing power across the WEPA Group with our suppliers and by optimizing our supplier portfolio.

We have made significant progress in optimizing our customer and product portfolio. In 2012, we launched a program to optimize our contract portfolio by focusing on higher-margin customers and products. We established minimum gross profit margin requirements for different categories of customers, based on the importance of the relevant customers to the WEPA Group, both in terms of total sales volumes as well as strategic considerations. As a result, we (i) try to phase-out certain customers and products that do not meet the relevant minimum gross profit margin requirements; (ii) replace the resulting reduction in sales volumes with increased sales to pre-identified target customers with higher gross profit margins; and (iii) reduce overall complexity of our business through a reduction in the number of our customers and product families. These initiatives have led to improved profitability notwithstanding an initial negative effect on revenues. Since the beginning of the program in 2012, we have managed to replace more than 50,000 tons of private label sales volumes with higher margin sales.

In addition, we have also implemented a number of measures designed to optimize our supply and delivery chains and to generally improve the efficiency of our production process. To reduce our production and logistics costs, we use an advanced system of client and logistical mapping, which allows us to identify inefficiencies and areas for cost improvement. Many of the investments we have made in recent years address inefficiencies and potential areas for cost improvement we have identified in this way, including our investments in the two additional paper machines in Lille and Giershagen, which have already allowed us to reduce purchases of jumbo reels from third-party suppliers and to further optimize logistics flows and freight costs within our European network. Our past and proposed investments in additional converting lines as well as investments in new technology in our packaging areas and in logistic dispatch systems also allowed us to further reduce costs and improve efficiency. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*".

To help us improve our cost efficiency, we have already significantly increased standardization of both semi-finished products (e.g. jumbo reels) and finished products (resulting in the reduction of waste when converting jumbo reels into finished products) and we continue to target further optimization of batch sizes (resulting in enhanced machine capacity due to reduced set-up times). We have already seen significant benefits from these measures in terms of reduced waste, enhanced machine capacity, reduced freight costs as well as a reduction of inventory levels and working capital requirements.

In an effort to generally reduce complexity and to further improve our operational flexibility and efficiency across the WEPA Group, we are in the process of analyzing all our processes with the goal of further optimizing them, including through increased standardization and automation. In addition, we continue to work intensively on continuous improvement activities covering different areas such as energy, procurement, portfolio optimization and supply chain.

History

We were founded in 1948 by Paul Krengel as a wholesaler of wrapping, gift wrapping and cupboard lining paper. Five years later, we expanded our product range by installing our first automatic converting machine for the production of hygiene paper products, such as toilet paper. In 1958, we started our own tissue paper production with our first paper machine, and since then, we have continuously invested in the development of our production sites. By the end of the 1980s, we were increasingly focusing on recovered paper and had become one of the leading producers of recycled tissue products.

In 1990, shortly after the German reunification, we founded WEPA Sachsen in East Germany, initially as a 50/50 joint venture until we bought out our joint venture partner in 2001. In 2004, we installed one of the then fastest state-of-the-art kitchen towel converting line in Europe at our production site in Giershagen. In 2006, we continued to grow by acquiring a tissue paper production and converting site in Mainz, Germany, from Kimberly Clark and the Polish tissue producer Fabryka Papieru Piechowice SA (FPP) with a production site in Piechowice, Poland.

In December 2009, we acquired the majority of the assets of the former Kartogroup, an Italian tissue company. By adding production sites in Italy, France and Germany, the acquisition allowed us to create a production network across Europe that more closely matched the geographic footprint of our key customers and to improve our supply chain and logistics. Further, our expanded geographic footprint strengthened our sales position and the loyalty of our fast-growing European customers. In addition to entering the Italian market, we also gained new customers, particularly in the Benelux region, France and Eastern Europe, expanded into napkin products and increased our purchasing power.

In response to a deterioration of our results of operations and financial condition between 2010 and 2011, we decided to develop and implement a comprehensive profitability and liquidity improvement program ("**Continuous Improvement Program**") and to restructure certain parts of our business to ensure the long-term success of the WEPA Group. The Continuous Improvement Program focused on (i) portfolio optimization, (ii) the optimization of our supply chain and production, (iii) liquidity improvement and other cost reduction opportunities, and (iv) an upgrade of our controlling, reporting and IT functions. Following the completion of the restructuring and the realization of all of the targets from the measures we have taken under the Continuous Improvement Program, we have transitioned the Continuous Improvement Program into a systematic and ongoing Continuous Improvement Process ("**Continuous Improvement Process**") intended to establish the WEPA Group as a cost leader in the tissue industry by further improving our profitability and cash position. For details, see also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Process*".

In 2014, we acquired the co-generation power plant located adjacent to our site in Giershagen, Germany, which provides 41.5% of our electric power and 100% of our steam requirements in 2015 for such site by using the residual materials from our recycling processes in Arnsberg and Giershagen as a source of thermal energy. In addition, we acquired a 50% stake in Northwood & WEPA, a 50:50 joint venture originally established in 2013 by members of the Krengel family (the owners of the WEPA Group) and members of the Fecher family (the owners of Northwood Paper) in the United Kingdom. Northwood & WEPA operates a production site in Bridgend/South-Wales (UK) and produces private label toilet paper and kitchen towels for the UK and Irish markets.

The latest addition to our network of production sites was the acquisition of the fully-integrated former Lucart plant in Troyes, France, in 2015, which allowed us to significantly strengthen our market position in the French private label market, to further optimize logistics and freight costs and to further increase our production flexibility by significantly increasing our paper production and converting capacity in France.

In addition to these aquisitions, we have made significant investments in our existing facilities in recent years. During 2014 and 2015, we invested in several new converting lines at our production sites in Kriebstein, Müschede and Piechowice. In 2015, we also successfully commenced operations of new paper machines in Lille, France, and Giershagen, Germany. Further, we recently placed orders for another new and highly efficient paper machine at our production site in Piechowice, Poland, and for four additional converting lines at our production sites in Leuna, Müschede and Kriebstein as well as at our newly acquired production site in Troyes.

THE REFINANCING AND CERTAIN RELATED TRANSACTIONS

The "**Refinancing**" refers to the issuance of €450 million aggregate principal amount of the Notes pursuant to the Offering, the entering into an amendment agreement with regard to the Senior Revolving Credit Facility and the use of a portion of the proceeds from the Offering (i) to redeem the Existing Notes, (ii) to repay €30 million in drawings and accrued and unpaid interest under the Senior Revolving Credit Facility and (iii) to pay other costs, fees and expenses incurred in connection with the Refinancing, including commitment, placement, financial advisory fees and other transaction costs and professional fees in connection with the issuance of the Notes and the amendment of the Senior Revolving Credit Facility.

We intend to give an irrevocable notice of redemption to the holders of the Existing Notes on or about the pricing date of the Offering and expect to redeem the Existing Notes on or about June , 2016 (the "**Redemption Date**"). On the Issue Date, we will (i) deposit an amount sufficient to pay the redemption amounts due to the holders of the Existing Notes on the Redemption Date into an escrow account (the "**Escrow Account**") with Deutsche Bank AG, London Branch, as escrow agent (the "**Escrow Agent**") and (ii) repay in full all amounts we owe under the Senior Revolving Credit Facility. On the Redemption Date, the funds held in the Escrow Account will be paid by the Escrow Agent to the paying agent for purposes of full redemption of the Existing Notes.

On or prior to the Issue Date, we will further enter into an amendment agreement with regard to the Senior Revolving Credit Facility, which will become effective on the Redemption Date and, among other things, will increase the size of the Senior Revolving Credit Facility from currently €90 million to €125 million. For more details on the Senior Revolving Credit Facility and the proposed amendment agreement, see "*Description of Other Indebtedness—Senior Revolving Credit Facility*".

Following completion of the Refinancing, we intend to use a portion of the remaining proceeds from the Offering to fund additional capital expenditures required for the completion of certain ongoing and proposed expansion projects to which we are already committed, including the construction of a new tissue paper machine at our production site in Piechowice, Poland and our planned investment into four additional converting lines at our production sites in Leuna, Troyes, Müschede and Kriebstein. For more details on these expansion projects, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*". To finance these expansion projects, we had previously entered into a €60 million capex facility. This capex facility is currently undrawn and will be cancelled on our about the Issue Date.

On April 28, 2016, the Issuer paid a regular dividend in respect of the financial year 2015 in the amount of €17.9 million to our Parent. The expected excess cash proceeds from the Offering will also provide us with additional liquidity to enable us to fund a potential special cash dividend of up to €20 million to our Parent as permitted by the Conditions of Issue. In addition, in a transaction that will be cash-neutral for us, we propose to declare a further €28.9 million special dividend to our Parent following the Refinancing, which will be set off against an equal amount owed by our Parent to the Issuer under the Parent Up-Stream Loan. The Parent Up-Stream Loan is a legacy from a transaction we completed in the first quarter of 2015 to optimize our corporate structure and avoid "circular dividends" as described in more detail under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*".

The following table sets forth the expected sources and uses in connection with the Offering and the Refinancing. You should read "*Use of Proceeds*", "*Capitalization*", "*Description of Other Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" for a more detailed description of the expected use of proceeds and our capitalization and financing arrangements following the completion of the Refinancing:

Sources	in € millions	Uses	in € millions
Notes offered hereby(1)	450.0	Redemption of the Existing Notes(2)	327.0
		Redemption costs(3)	17.7
		Repayment under the Senior Revolving Credit Facility(4)	30.0
		Estimated fees and expenses(5)	6.0
		Cash and cash equivalents(6)	69.3
Total Sources	**450.0**	**Total Uses**	**450.0**

(1) Reflects the expected gross proceeds from the issuance of the Notes, assuming the Notes are issued at par.

(2) Reflects €327 million in outstanding principal amount of Existing Notes that will be redeemed as part of the Refinancing.

(3) Includes (i) an amount of €15.9 million of redemption premium payable to the holders of the Existing Notes on the Redemption Date under the conditions of issue of the Existing Notes and (ii) an estimated €1.7 million of accrued and unpaid interest payable to the holders of the Existing Notes on the Redemption Date with regard to the period from and including May 15, 2016, the next interest payment date for the Existing Notes, to but excluding the Redemption Date.

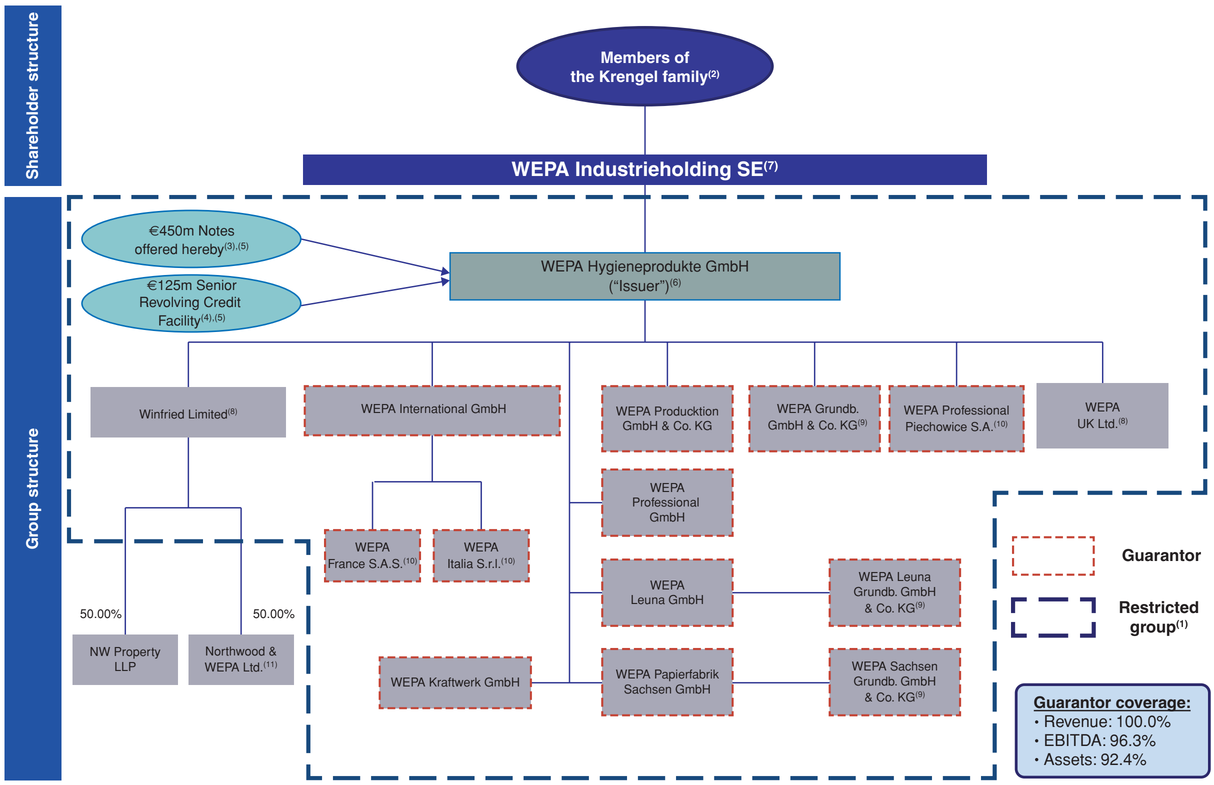
(4) Reflects €30 million in drawings and an estimated €47,000 accrued and unpaid interest that we expect to owe under the Senior Revolving Credit Facility on the Issue Date and that we will repay on the Issue Date as part of the Refinancing.

(5) Reflects our estimate of costs, fees and expenses we will incur in connection with the Refinancing, including commitment, placement, financial advisory and other transaction costs and professional fees, but excluding the redemption costs. Actual costs, fees and expenses may differ.

(6) We intend to use a portion of the proceeds from the Offering to fund additional capital expenditures required for the completion of certain ongoing and proposed expansion projects to which we are already committed. For more details on these expansion projects, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*". The expected excess cash proceeds from the Offering will also provide us with additional liquidity to enable us to fund a potential special cash dividend of up to €20 million to our Parent as permitted under the Conditions of Issue.

OVERVIEW OF OUR CORPORATE AND FINANCING STRUCTURE

The following diagram depicts, in simplified form, our corporate and financing structure on the Issue Date after giving effect to the issuance of the Notes, the amendment of the Senior Revolving Credit Facility and the use of proceeds therefrom as set forth under "*Use of Proceeds*". All company ownership is 100% unless otherwise indicated. For a summary of the Issuer's material financing arrangements, see "*Description of Other Indebtedness*" and "*Description of the Notes*".



(1) Entities in the restricted group are subject to the covenants under the terms of the Notes and the Senior Revolving Credit Facility.

(2) Members of the Krengel family indirectly hold 100% of the shares in WEPA Industrieholding SE.

(3) The Issuer proposes to issue €450 million aggregate principal amount of Notes. The Notes will be senior secured obligations of the Issuer and will be guaranteed on a senior secured basis by the Guarantors. The Notes will be secured by a first-priority security interest in the same collateral which secures the Senior Revolving Credit Facility, the Priority Hedging Obligations and Cash Management Obligations, although any liabilities in respect of obligations under the Senior Revolving Credit Facility, the Priority Hedging Obligations and Cash Management Obligations will receive priority over those of the Holders. See "*Description of the Notes*", "*Description of Other Indebtedness—Senior Revolving Credit Facility*" and "*Description of Other Indebtedness—Intercreditor Agreement*" for further information.

(4) The Senior Revolving Credit Facility will be senior secured obligations of the Issuer and will be guaranteed on senior secured basis by the Guarantors. On the Issue Date, the Senior Revolving Credit Facility will be secured by first-ranking liens over shares of or the partnership interests in the Issuer, each Guarantor and WEPA Produktion Verwaltungs-GmbH (*provided* that a pledge over the shares in WEPA Italia S.r.l. will only be granted on or about the Redemption Date), and certain machinery and equipment and real property in Germany as well as any receivables of the Parent against the Issuer as described in more detail in "*Description of Notes—Security; Release of Collateral*". During the twelve-month period ended March 31, 2016, the Issuer and the Guarantors generated 100.0% of our consolidated revenues (effects of intra-group transactions eliminated) and 96.3% of our EBITDA (effects of intra-group transactions eliminated) and as of March 31, 2016, held 92.4% of our consolidated total assets (effects of intra-group relations eliminated).

(5) The guarantees of the Senior Revolving Credit Facility and the Notes as well as the related security interests will be subject to certain limitations under applicable law, as described in "*Risk Factors—Risks Related to the Notes*". Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability, as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*".

(6) On the Issue Date, we will deposit an amount sufficient to pay the redemption amount (expected to amount to approximately €344.7 million) due to the holders of the Existing Notes on the Redemption Date. Such redemption amount will be held in escrow and paid to the holders of the Existing Notes on the Redemption Date, which we expect to be June , 2016. See also "*Use of Proceeds*".

(7) WEPA Industrieholding SE owns all shares in the Issuer and will pledge such shares as part of the Collateral.

(8) As at and for the twelve-months period ended March 31, 2016, the revenues, EBITDA and assets of the restricted subsidiaries not guaranteeing the Notes represented 0.0%, 3.7% and 7.6% of the revenues, EBITDA and assets of the Group, respectively. See also "*Risk Factors—Risks Related to the Notes—The Notes and the Guarantees will be structurally subordinated to the liabilities of our non-guarantor subsidiaries*".

(9) WEPA Hygieneprodukte GmbH, WEPA Leuna GmbH and WEPA Papierfabrik Sachsen GmbH are limited partners of WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG, respectively. WEPA Grundbesitz Verwaltungs-GmbH, the general partner of WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG, is not part of our Group but its interest in WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG will be pledged and serve as Collateral for the Notes and the Senior Revolving Credit Facility.

(10) WEPA Italia S.r.l., WEPA France S.A.S. and WEPA Professional Piechowice SA will also be original borrowers under the Senior Revolving Credit Facility.

(11) We intend to transfer the 50% stake in Northwood & WEPA Ltd. currently held by our subsidiary Winfried Limited to the Issuer.

THE OFFERING

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

Issuer	Wepa Hygieneprodukte GmbH.
Notes Offered	€450 million aggregate principal amount of % Senior Secured Notes due 2024 (the "**Notes**").
Issue Date	, 2016.
Issue Price	%, plus accrued interest, if any, from the Issue Date.
Maturity Date	May 15, 2024.
Interest Rate	%.
Interest Payment Date	Interest on the Notes will be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2016. Interest on the Notes will accrue from the Issue Date.
Denominations	Each Note will be issued in denominations of €1,000 and will be transferable only in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. For the purposes of the secondary market trading on the Luxembourg Stock Exchange, the minimum transfer amount is one Note.
Ranking of the Notes	The Notes will:

- be senior obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes, including obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations;
- be secured by the Collateral along with obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations (but will receive proceeds from an enforcement of the Collateral only after all obligations secured on a super priority basis, including its obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations have been paid in full);
- rank senior in right of payment to any existing and future subordinated indebtedness of the Issuer;
- effectively rank senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations of the Issuer under the Notes;
- be effectively subordinated to the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the Notes, to the extent of the value of such property and assets securing such indebtedness; and
- be structurally subordinated to all existing and future obligations of the Issuer's subsidiaries that are not Guarantors (as defined below).

Guarantees	As of the Issue Date, the Notes will be guaranteed on a senior basis by WEPA International GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Leuna GmbH, WEPA Italia S.r.l., WEPA France S.A.S., WEPA Professional GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Professional Piechowice SA, WEPA Produktion GmbH & Co. KG and WEPA Kraftwerk GmbH (together, the "**Guarantors**"). See "*Description of the Notes—General—The Notes Guarantees*". The Guarantees will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Description of the Notes—General—The Notes Guarantees*" and "*—Covenants—Future Guarantors*" and for more information on potential limitations to the Guarantees, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*". The Guarantees may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Holders' Representative*", "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Release of Note Guarantees*".
Ranking of the Guarantees	Each Guarantee will be a direct, unconditional and irrevocable senior obligation of the relevant Guarantor, and: • will rank equal in right of payment with all of such Guarantor's existing and future obligations that are not subordinated in right of payment to the relevant Guarantee, including obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations; • will be secured by the Collateral along with its obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations (but will receive proceeds from an enforcement of the Collateral only after all obligations secured on a super priority basis, including its obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations have been paid in full); • will rank equal in right of payment with all of such Guarantor's existing and future obligations that are not subordinated in right of payment to the relevant Guarantee, including obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations; • will rank senior in right of payment to any existing and future subordinated indebtedness of the relevant Guarantor;

- will effectively rank senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations of the relevant Guarantor under the applicable Guarantee;
- will effectively rank senior in right of payment to any existing or future obligations of the relevant Guarantor secured on the Collateral on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the applicable Guarantee;
- will be subject to limitations described in "*Description of the Notes*"; and
- will be effectively subordinated to such Guarantor's existing and future secured indebtedness that is secured by property or assets that do not secure the Guarantee of such Guarantor, to the extent of the value of such property and assets securing such indebtedness.

Security . . . . The Notes will be secured by first ranking liens over shares of or the partnership interests in the Issuer, each Guarantor and WEPA Produktion Verwaltungs-GmbH, and certain machinery and equipment and real property in Germany as well as any receivables of the Parent against the Issuer as described in more detail under "*Description of the Notes—General—Security; Release of Collateral*" (the "**Collateral**").

In the event of enforcement of the Collateral, the Holders of the Notes will receive proceeds from such Collateral only after lenders under the Senior Revolving Credit Facility and Cash Management Liabilities and counterparties to Priority Hedging Obligations have been repaid in full.

The security interests over the Collateral or the enforcement thereof may be subject to certain significant contractual and legal limitations or subject to certain defences under applicable law. Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions which, in the case of some Collateral, may not be completed until after the Issue Date. See "*Risk Factors—Risks Related to the Notes—Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral*". For more information on the security interests granted, see "*Description of the Notes—General—Security; Release of Collateral*" and for more information on potential limitations to the security interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*".

	The security interests may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Holders' Representative*", "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—General—Security; Release of Collateral*".
Use of Proceeds	The Issuer will use the gross proceeds of the Notes as set forth in "*Use of Proceeds*".
Optional Redemption	The Issuer may redeem all or part of the Notes at any time on or after May 15, 2019 at the redemption prices described under "*Description of the Notes—Optional Redemption*". At any time prior to May 15, 2019, the Issuer may redeem on any one or more occasions all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, plus the Applicable Premium, as described under "*Description of the Notes—Optional Redemption*". At any time prior to May 15, 2019, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption; provided that at least 65% of the original aggregate principal amount of the Notes remains outstanding after the redemption. See "*Description of the Notes—Optional Redemption*".
Additional Amounts; Tax Redemption	Any payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made without withholding or deduction for or on account of any taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer or applicable Guarantor or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note or Guarantee, the Issuer or applicable Guarantor will pay the additional amounts necessary so that the net amount received after such withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See "*Description of the Notes—Payment of Additional Amounts*". If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes on the payments on the Notes and would require the Issuer to pay Additional Amounts (as defined in "*Description of the Notes—Payment of Additional Amounts*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts (as defined herein), if any, to the date of redemption. See "*Description of the Notes—Early Redemption for Taxation Reasons*".

Change of Control	If the Issuer experiences a change of control (as defined in the Conditions of Issue), the Holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. See "*Description of the Notes—Repurchase at the Option of Holders upon a Change of Control*".
Certain Covenants	The Conditions of Issue will limit, among other things, the ability of the Issuer and its Restricted Subsidiaries to: • incur or guarantee additional indebtedness or issue certain preferred stock; • pay dividends, redeem capital stock and make other distributions; • make certain other restricted payments or restricted investments; • prepay or redeem subordinated debt or equity; • create or permit to exist certain liens; • impose restrictions on the ability of the Restricted Subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • engage in certain transactions with affiliates; and • impair the security interests for the benefit of the Holders of the Notes. Certain of the covenants will be suspended if and for as long as we achieve investment grade ratings. See "*Description of the Notes—Covenants—Suspension of Covenants*". Each of the covenants in the Conditions of Issue will be subject to significant exceptions and qualifications. See "*Description of the Notes—Covenants".*
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". 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 is no established trading market. Although the Initial Purchasers of the Notes have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the U.S. Securities Act.
Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.

Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF. There can be no assurance that any such listing will be granted or maintained. The Euro MTF is not a regulated market for the purposes of Directive 2004/39/EC.
Governing Law	The Notes, the Guarantee Agreement, the Conditions of Issue, the Intercreditor Agreement and the Senior Revolving Credit Facility will be governed by German law. The Escrow Agreement will be governed by English law. The security documents will be governed by applicable local law.
Original Issue Discount	The Notes may be issued with original issue discount for U.S. federal income tax purposes. The Notes will be considered to be issued with original issue discount if the stated principal amount of the Notes exceeds the issue price of the Notes (as determined for U.S. federal income tax purposes) by an amount greater than or equal to a statutorily defined *de minimis* amount. If the Notes are issued with original issue discount, U.S. holders (as defined below under "*Taxation—Certain U.S. Federal Income Tax Considerations*") will be required to include original issue discount in gross income (as ordinary income) generally on a constant yield to maturity basis in advance of the receipt of cash payments to which such income is attributable regardless of such holders' regular method of accounting for U.S. federal income tax purposes. Please see "*Taxation—Certain U.S. Federal Income Tax Considerations*" for a further discussion.
Book-Entry and Form	The Notes will be represented by separate global notes in bearer form deposited and immobilized with, and held by, Clearstream Banking. Definitive notes representing individual Notes will not be issued. Transfer of the Notes will be subject to the rules of Clearstream Banking and the terms of a Book-Entry Registration Agreement among Clearstream Banking and the Issuer with respect to the Notes.
Holders' Representative	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft.
Security Agent	Commerzbank Aktiengesellschaft.
Paying Agent	Deutsche Bank AG.
Escrow Agent	Deutsche Bank AG, London Branch.
Transfer Agent	Deutsche Bank AG.

SUMMARY FINANCIAL INFORMATION AND OTHER INFORMATION

The financial information contained in the following tables is derived from the audited consolidated financial statements of the Issuer as of and for the fiscal years ended December 31, 2013, 2014 and 2015 and from the unaudited consolidated interim financial statements of the Issuer as of and for the three-month period ended March 31, 2016 as well as from the accounting records and other internal documents of the Issuer. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

In addition, this offering memorandum includes certain unaudited consolidated financial information for the 12 months ended March 31, 2016. This information was derived by adding our consolidated financial information for the year ended December 31, 2015 derived from our audited consolidated financial statements to our unaudited consolidated financial information for the three months ended March 31, 2016 and subtracting our unaudited consolidated financial information for the three months ended March 31, 2015.

The consolidated financial statements and the other historical consolidated financial information presented below have been prepared on the basis of German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS*".

In this offering memorandum, we present certain non-GAAP measures and ratios, including gross profit, EBITDA, EBIT, income/(loss) before tax, trade working capital, free cash flow, free cash flow available for debt service, adjusted free cash flow and pro forma data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operations, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including gross profit, EBITDA, EBIT, income/(loss) before tax, trade working capital, free cash flow, free cash flow available for debt service, adjusted free cash flow and pro forma data presented by us may not be comparable to similarly titled measures used by other companies. We also present below certain operating data which have not been derived from the audited consolidated financial statements, but from other internal sources of the Issuer.

The following tables also set forth certain pro forma consolidated financial information, after giving effect to the issuance of the Notes in this Offering and the application of the proceeds therefrom as well as the proposed amendment of the Senior Revolving Credit Facility. See "*Use of Proceeds*".

Certain numerical figures set out in this offering memorandum, including financial data and operational volumes presented in million or thousand and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial Information*", "*Use of Proceeds*", "*Capitalization*", "*Selected Financial Data*" and "*Management's Discussion* *and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum.

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31,
	2013	2014	2015	2015	2016	2016
	(audited unless otherwise indicated) (€ in thousands)			(unaudited) (€ in thousands)		(unaudited)
INCOME STATEMENT AND OTHER FINANCIAL DATA						
Sales revenues	854,840	858,311	924,877	223,024	238,705	940,558
Increase or decrease of inventory of finished and semi-finished products	914	6,671	1,016	2,873	8,394	6,538
Total Operating Performance[(1)]	**855,753**	**864,982**	**925,894**	**225,898**	**247,099**	**947,096**
Cost of materials	(518,604)	(507,989)	(535,995)	(131,144)	(141,911)	(546,763)
Gross Profit[(2)]	**337,149**	**356,993**	**389,899**	**94,754**	**105,188**	**400,333**
Other operating income/other internally produced and capitalized assets	11,278	24,601	22,436	2,949	3,226	22,713
Personnel expenses	(126,285)	(133,474)	(150,716)	(36,882)	(38,890)	(152,725)
Other operating expenses	(124,436)	(130,325)	(136,504)	(32,486)	(36,055)	(140,073)
EBITDA[(3)]	**97,706**	**117,795**	**125,114**	**28,335**	**33,470**	**130,249**
Amortization and depreciation	(33,102)	(32,282)	(39,642)	(8,299)	(9,729)	(41,073)
EBIT[(4)]	**64,604**	**85,513**	**85,472**	**20,036**	**23,741**	**89,176**
Extraordinary income/(expenses)[(5)]	(35,852)	(359)	—	—	—	—
Interest and similar income	207	5,327	15,053	1,310	978	14,721
Interest and similar expense	(26,767)	(40,762)	(28,563)	(6,649)	(7,015)	(28,928)
Income/(loss) before tax[(6)]	**2,192**	**49,719**	**71,962**	**14,697**	**17,705**	**74,969**
Taxes	(11,488)	(18,408)	(18,198)	(4,736)	(8,180)	(21,641)
Net income/(loss)	**(9,296)**	**31,311**	**53,765**	**9,961**	**9,525**	**53,328**

	As at December 31,			As at March 31,	
	2013	2014	2015	2015	2016
	(audited unless otherwise indicated) (€ in thousands)			(unaudited) (€ in thousands)	
BALANCE SHEET AND OTHER FINANCIAL DATA					
Cash and Cash equivalents	64,309	32,882	34,704	39,801	37,485
Trade Working Capital[(7)]	120,184	119,714	98,373	124,779	114,266
PPE[(8)]	311,513	362,510	460,312	419,609	462,533
Total Assets	**656,123**	**705,161**	**804,660**	**793,775**	**817,417**
Total Liabilities	**442,872**	**452,979**	**482,535**	**495,980**	**486,052**
Total Debt[(9)]	**353,899**	**354,514**	**370,501**	**371,931**	**369,025**
Net Total Debt[(10)]	**289,590**	**321,633**	**335,797**	**332,130**	**331,540**

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31,
	2013	2014	2015	2015	2016	2016
	(audited unless otherwise indicated) (€ in thousands)			(unaudited) (€ in thousands)		(unaudited)
CASH FLOW AND OTHER DATA						
Net cash flow (used in)/from operating activities	72,470	98,936	104,507	20,174	23,118	107,451
Net cash flow (used in)/from investing activities	(49,524)	(97,101)	(90,409)	(34,797)	(17,881)	(73,493)
Free Cash Flow Available For Debt Service(11)	**22,947**	**1,835**	**14,097**	**(14,623)**	**5,237**	**33,958**
Adjusted Free Cash Flow(12)	**65,479**	**61,688**	**62,828**	**13,396**	**11,799**	**61,231**

(1) Total operating performance is calculated as the sum of gross sales revenues, sales revenues reductions (like bonuses or cash discounts to customers) and change in inventories.

(2) Gross profit (unaudited; not a German GAAP measure) is calculated by deducting cost of materials from total operating performance.

(3) EBITDA (unaudited; not a German GAAP measure) means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses.

(4) EBIT (unaudited; not a German GAAP measure) means EBITDA minus amortization and depreciation on intangible assets, property, plant and equipment.

(5) Extraordinary income/(expenses) relates to expenses related to refinancing as well as other extraordinary income/(expenses) as follows:

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31, 2016
	2013	2014	2015	2015	2016	
	(€ in thousands)			(€ in thousands)		(€ in thousands)
EXTRAORDINARY INCOME/(EXPENSES)						
Expenses Related to 2013 refinancing	(31,120)	—	—	—	—	—
thereof swap liquidation	*(15,342)*	—	—	—	—	—
thereof refinancing fees	*(7,628)*	—	—	—	—	—
thereof consulting	*(6,448)*	—	—	—	—	—
thereof other	*(1,702)*	—	—	—	—	—
Other extraordinary expenses	(7,271)	(359)	—	—	—	—
thereof restructuring consulting	*(4,868)*	—	—	—	—	—
thereof flood/fire damage	*(1,169)*	—	—	—	—	—
thereof others	*(1,234)*	*(359)*	—	—	—	—
Extraordinary expenses	**(38,391)**	**(359)**	—	—	—	—
Extraordinary income	**2,539**	—	—	—	—	—
Extraordinary income/(expenses)	**(35,852)**	**(359)**	—	—	—	—

(6) Income/(loss) before tax (unaudited; not a German GAAP measure) is calculated by adding income taxes back to net income/(loss).

(7) Trade Working Capital (unaudited; not German GAAP measure) we define as inventories plus trade receivables, minus trade payables.

Our calculation of Trade Working Capital can be reconciled to the balance sheet as follows:

	As at December 31,			As at March 31,	
	2013	2014	2015	2015	2016
	(€ in thousands)				
TRADE WORKING CAPITAL SPLIT					
Inventories	108,702	117,469	135,118	132,623	152,110
Trade receivables	72,867	71,776	51,496	75,776	55,389
Trade payables	(61,385)	(69,531)	(88,241)	(83,620)	(93,233)
Trade Working Capital	**120,184**	**119,714**	**98,373**	**124,779**	**114,226**

(8) PPE is defined as assets comprising of plant, property and equipment.

(9) Total Debt means liabilities owed to banks (including under our Warehouse Lease Agreements) plus the principal amount of the Existing Notes, but does not include any off-balance sheet liabilities under our ABS Program.

(10) Net Total Debt is calculated by deducting cash and cash equivalents from Total Debt.

(11) Free Cash Flow Available For Debt Service (unaudited; not a German GAAP measure) is defined as cash flow from operating activities minus cash flow from investing activities. For an alternative method for calculating Free Cash Flow Available For Debt Service, see also footnote (12) (c) below.

(12) We present Adjusted Free Cash Flow (unaudited; not a German GAAP measure) as a measure of normalized free cash flow which can be used to service debt.

Our calculations of Adjusted Free Cash Flow is as follows:

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31,
	2013	**2014**	**2015**	**2015**	**2016**	**2016**
	(€ in thousands)			**(€ in thousands)**		
ADJUSTED FREE CASH FLOW						
EBITDA	97,706	117,795	125,114	28,335	33,470	130,249
Change in Total Working Capital[(a)]	**(677)**	**(3,345)**	**11,290**	**(1,366)**	**(6,264)**	**6,392**
Income taxes paid	(11,634)	(3,735)	(16,279)	(5,852)	(1,850)	(12,277)
Expenses for/income from extraordinary items	(11,180)	(359)	—	—	—	—
Cash flows from investing activities	(49,524)	(97,101)	(90,409)	(34,797)	(17,881)	(73,493)
Other[(b)]	(1,745)	(11,421)	(15,619)	(943)	(2,238)	(16,914)
Free Cash Flow Available For Debt Service[(c)]	**22,947**	**1,835**	**14,097**	**(14,623)**	**5,237**	**33,958**
adding back Extraordinary income/(expenses)[(d)]	11,180	359	—	—	—	—
adding back selected key investments/divestments[(e)]	31,352	59,495	48,731	28,019	6,562	27,273
Adjusted Free Cash Flow	**65,479**	**61,688**	**62,828**	**13,396**	**11,799**	**61,231**

(a) Total Working Capital (unaudited; not a German GAAP measure) includes trade working capital, provisions, changes in other assets and changes in other liabilities.

(b) Other includes other non-cash income/(expenses), gains/(losses) on disposal of assets and other taxes. Other taxes includes, among other items, real estate taxes, energy taxes and insurance taxes.

(c) Free Cash Flow Available For Debt Service (unaudited; not a German GAAP measure) means EBITDA adjusted for the effects of changes in Total Working Capital, Extraordinary income/(expenses), Net cash flow (used in)/from investing activities and Other, minus Income taxes paid. For an alternative method for calculating Free Cash Flow Available For Debt Service, see also footnote (11) above.

(d) Extraordinary income/(expenses) comprise one-off income and expenses not related to our ordinary business. Extraordinary expenses mainly relate to the restructuring of our Italian business in 2013 as well as other extraordinary income(expense). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capitalization—Cash flows*".

(e) Selected key investments/divestments reflect net cash outflows from investment activities during each relevant period related to our acquisition of our former 22.3% stake in Marsberger Kraftwerk GmbH ("**MKG**"), our investments into the new converting lines in Kriebstein, Müschede and Piechowice, our acquisition of the operational co-generation power plant business from MKG, our acquisition of the land on which our converting facilities in Salanetti, Italy are located, our acquisition of Winfried Limited, our acquisition of the assets of the former Lucart plant in Troyes, France as well as our divestment of our former 49% stake in GC & WEPA S.L., in each case as described in more detail under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" and "*Management's Discussion and Analysis of Financial Condition and*

Results of Operations—Key Factors Affecting our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH".

	As at and for the twelve-month period ended March 31, 2016
	(unaudited) (€ in millions)
PRO FORMA AND OTHER FINANCIAL DATA	
Pro Forma Secured Debt(1)	472.0
Pro Forma Net Total Debt(2)	365.3
Ratio of Pro Forma Secured Debt/EBITDA	3.6x
Ratio of Pro Forma Net Total Debt/EBITDA	2.8x

(1) Pro Forma Secured Debt is calculated by giving *pro forma* effect to the Refinancing on Total Debt that is secured by liens.

(2) Pro Forma Net Total Debt is calculated as Total Debt minus cash and cash equivalents, after giving *pro forma* effect to the Refinancing.

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31,
	2013	2014	2015	2015	2016	2016
				(unaudited)		
SELECTED OPERATING DATA						
Volumes produced (in tons)						
—Finished products	507,000	524,000	562,000	142,000	147,000	567,000
—Jumbo reels	556,000	563,000	601,000	143,000	164,000	622,000
Volumes Sold (in tons)						
—Finished products	531,000	541,000	583,000	141,000	148,000	591,000
—Semi-finished products (jumbo reels and de-inked pulp)	63,000	56,000	41,000	13,000	9,000	37,000
Average net selling price (ASP) per ton of finished products (€ per ton)	1,503	1,491	1,514	1,495	1,535	1,524
Total pulp costs per ton (€ per ton)	498	471	481	457	515	494
Total recovered paper costs per ton (€ per ton)	145	153	163	158	165	164

RISK FACTORS

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

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. 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 "Forward-Looking Statements".

RISKS RELATED TO OUR BUSINESS

If the cost of key raw materials and energy increases, we may not be able to pass these increased costs on to our customers.

We depend significantly on access to sufficient, reasonably-priced quantities of pulp and recovered paper, which we use to manufacture our tissue products, and we are also a significant consumer of energy. The global supply of our key raw materials is limited and both the prices of our key raw materials and the price of energy have been volatile in recent years. For example, pulp is our largest and recovered paper our fourth largest purchasing cost item, accounting for 38.4% (€205.9 million) and 8.9% (€47.4 million), respectively, of our cost of materials in 2015. This compares to 35.3% (€179.3 million) and 9.4% (€48.0 million), respectively, of our cost of materials in 2014, and 37.1% (€192.4 million) and 8.9% (€46.0 million), respectively, of our cost of materials in 2013. During the same period, our total cost of energy decreased from €84.7 million or 16.3% in 2013 to €75.0 million or 14.8% in 2014 and €74.3 million or 13.9% of our total cost of materials in 2015.

In the countries in which we operate production facilities, we may be affected by regulatory decisions strongly impacting our energy prices. In particular in our core market of Germany, energy prices have been strongly impacted by regulatory decisions related to the so-called "energy revolution" (*Energiewende*) as a consequence of the nuclear disaster in Fukushima, Japan. This revised energy policy focuses on promoting the development of renewable energy sources and contemplates the complete cessation of the production of nuclear power by 2021. Similar policies are being implemented in other European countries. To mitigate the impact of the resulting significant increases in electricity prices for "energy-intensive enterprises", the German government adopted rules that provided for various businesses, including us, to be reimbursed for certain infrastructure investment surcharges necessary for the implementation of the "*Energiewende*". However, those rules have not only been subject to challenges in the German courts and to EU scrutiny as potentially illegal subsidies, but also continue to be subject to political scrutiny by various interest groups. Although the relevant rules have since been modified to address some of the original criticism, there is no guarantee that they will not change again and that we will continue to be able to benefit from applicable accommodations, reimbursement rules and/or energy tax refund schemes. Just for our German sites, the relevant reimbursements for infrastructure investment surcharges amounted to more than €25 million in 2015, and the positive cost impact of all relevant accommodations, reimbursement rules and/or energy tax refund schemes combined was more than €40 million for the entire WEPA Group in 2015.

The majority of our supplier contracts for the purchase of key raw materials extends for terms of up to one year with prices linked to indexes or subject to periodic negotiation while our energy is purchased mostly through long-term supply contracts entered into at the local level. Changes in the terms of our energy or supply contracts, including any price increase, could adversely affect our earnings and financial position because we may not be able to pass increases in the costs of key raw materials or energy on to our customers in a timely manner or at all if the market or the relevant customer agreement do not allow us to raise the prices of our finished products. If price adjustments significantly trail the increase in raw materials or energy expenses, or if we cannot effectively hedge against such cost increases, our business, financial condition and results of operations may be materially adversely affected.

Our results may be significantly affected by exchange rate fluctuations.

Given the growing geographic spread of our operations, we are increasingly exposed to currency exchange rate fluctuations. Poland and the United Kingdom, in particular, do not use the euro as their national currency. For the first three months ended March 31, 2016, 6.4% and 0.2% of our total sales (which do not include sales revenues of our 50:50 UK joint venture Northwood & WEPA which are denominated in euro) derived from sales in Polish zloty and British pounds, respectively. As a result of our significant recent investments into a new paper machine and a new converting line at our production site in Piechowice, Poland, we expect our exposure in Polish zloty, in particular, to increase further in the future. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" below. In addition, we currently finance several of our foreign subsidiaries, including our Polish subsidiary WEPA Professional Piechowice SA, through external borrowings in euro. Further, all of the sales revenues of Northwood & WEPA are derived from sales in British pounds, and earnings from our 50% stake in Northwood & WEPA contributed €6.3 million to our reported earnings from associated companies in 2015.

Because our exposure from exchange rate fluctuations related to GBP-denominated revenues is relatively low at the moment, we do not currently attempt to hedge our related exposure. However, we are also exposed to the more significant risk that changes in the exchange rate of the British pound against the euro could negatively impact the valuation of the financial asset represented by our stake Northwood & WEPA on our balance sheet. We currently already hedge a small portion of our exposure to exchange rate fluctuations between the euro and the Polish zloty and have started to gradually increase the portion of our PLN exposure we hedge, with the goal of ultimately hedging 50-70% of our exposure with regard to our projected PLN revenues over a rolling 12-month period. We also do not currently hedge our exposure related to the PLN-denominated intra-group loans to our Polish subsidiary.

Even if we do take further hedging measures in the future, there can be no guarantee that such measures will be effective. As a result, fluctuations in the value of the Polish zloty, the British pound or other local currencies against the euro have had, and may increasingly have in the future, a significant effect on our operations and on our reported results in euro, and the comparability of our performance between financial periods can be significantly affected by fluctuations in local currencies against the euro.

In addition, fluctuations in the exchange rate between the euro and the U.S. dollar can also have a significant impact on our profitability. While the prices of some of our raw materials such as pulp and oil (which affect our energy costs, freight costs and auxiliary costs such as packaging materials) are quoted in U.S. dollars in international markets, we primarily generate our sales revenues in euros. Therefore, a strengthening of the U.S. dollar against the euro will generally have a negative impact on our results.

Assuming a hypothetical pulp price of U.S.$600 per ton and an exchange rate of U.S.$1.10 per €1.00, a fluctuation in the exchange rate of the U.S. dollar and the euro by U.S.$0.01 would result in a price increase or decrease of approximately €4.96 per ton of pulp. Given that we consumed approximately 420,000 tons of pulp in 2015, each U.S.$0.01 in exchange rate movement would have had an impact on our purchasing costs for pulp of approximately €2.08 million, assuming we had not hedged our exposure to exchange rate fluctuations.

Our use of hedging instruments might prove ineffective or expose us to additional risks, which may adversely affect our financial position and operating results.

We seek to hedge some of our exposure to increases in the price of pulp, increases in energy prices and exchange rate fluctuations and changes in interest rates through the use of various types of hedging instruments, including forward contracts as well as other derivatives transactions such as interest rate, currency and commodity swaps. Subject to the prevailing market conditions, we aim to hedge reasonable portions of our projected pulp requirements for a certain period against price increases. However, there can be no assurance that we will be able to correctly anticipate our full exposure to increases in the price of our pulp, increases in energy prices and exchange rate fluctuations and changes in interest rates (which depends on projected sales volumes in any given period, among other factors). Further, there can be no assurance that we will or be able to hedge our full exposure or that our hedging transactions will be effective. The use of derivatives is a highly specialized activity that involves investment techniques and risks different from those associated with our ordinary business. Depending on the state and development of interest rates, exchange rates or raw material prices, as applicable, our use of hedging transactions could enhance or harm our overall performance compared to our competitors. In addition, we are also exposed to the risk of an insolvency or default of our counterparties under our hedging transactions. Should one or more of these risks materialize, this could have a material adverse effect on our financial position and results of operations.

The availability of or any significant increase in the cost of freight and logistics services represents a significant risk for our business.

Freight and logistics services play an important part in our supply chain as we transport a majority of our products, mainly by truck, to our customers. In addition, most of the raw materials need to be shipped to our production facilities and we regularly, even though with a decreasing volume, ship jumbo reels between our production sites. In the three months ended March 31, 2016, our freight and logistics costs amounted to 7.9% of our sales.

Any material disruption in or lack of availability of freight and logistics services or significant increases in fuel or energy prices, road tolls or demand driven market prices resulting in higher freight costs, may have a material adverse effect on our margins and results of operations and financial condition. In addition, increased costs relating to vehicle emissions control requirements that have been or may be imposed in the future, particularly due to climate change related legislation, may also lead to such effects on our margins and results of operations and financial condition.

Increased pricing pressure and intense competition could have an adverse effect on our business, financial condition and results of operations.

We operate in highly competitive markets. Inherent risks in our competitive strategy include uncertainties concerning the effects of the ongoing consolidation and growing presence of large retailers and discounters and the ongoing consolidation among tissue producers in Europe. Our competitors include other low-cost manufacturers and rapidly-expanding international manufacturers. In the AfH sector, some of our products, in particular paper towels, also compete with other types of products such as air dryers and cotton towels. Some of our competitors may have increased access to financial resources and increased market penetration, which may enable them to offer a wider variety of products and services at more competitive prices. Alternatively, some of these competitors may have significantly lower product development and manufacturing costs, allowing them to offer products at a lower cost. Further, although our market has experienced significant consolidation and the exit of a number of key competitors, new competitors may enter the European tissue market and one or more of our existing competitors may install additional tissue production or converting capacity or may reactivate idle capacity. Since 2014, we have seen an increased level of investment activities in the tissue industry in Europe. For example, two new paper machines have been announced for Portugal and for Poland. In addition, further new paper machines and converting lines have been announced for almost all countries in Europe. A significant increase in capacity in any of the markets where we operate could cause an oversupply, resulting in lower market prices for our products, reduced capacity utilization rates and consequential rise in our production costs and increased competition. This could in turn, adversely affect our business, financial condition and results of operations.

Increasing dependence on key customers and changes in the policies and purchasing behavior of those customers may adversely affect our business.

In our Consumer division, in particular, we generate a large percentage of our total sales revenue through a few long-standing customers that we expect to play a key role in our long-term business success. Our five largest customers accounted for 38.3% of our total sales revenue in 2015 and 53.9% of our total sales revenue in 2015 was generated through our ten largest customers. Due to the ongoing consolidation of retail trade, we are increasingly dependent on key retailers, including large-format retailers, who may have increasing bargaining power. Our key customers may use their bargaining power to demand higher trade discounts or allowances which could reduce our profitability. We may also be negatively affected by changes in the policies of our key retail trade customers, such as inventory de-stocking, de-listing of our products, additional requirements related to safety, environmental, social and other sustainability issues, among other conditions. Our key customers could also choose to exit from certain geographic markets or could loose market share to competitors, which could result in reduced demand for our products by such customers and thereby materially adversely affect our business, financial condition and results of operations.

In addition, the requirements and the demand habits of our customers may change and, as a result, we may not be able to sell inventory which we produce in anticipation of future demand by a particular customer, or we may only be able to sell inventory at reduced prices. The majority of our sales are conducted through periodic tender processes. These tenders typically occur on an annual basis, but can occur more frequently. Depending on the relevant customer, tenders may either cover all of our sales to the relevant customer or relate to individual products or product categories or to particular geographic regions. If we are unable to successfully manage and complete these tender processes, we could lose key customers or experience significant decreases in our sales volumes. Our reliance on certain key customers further exposes us to significant risk should any of these key customers experience financial difficulties. If we lose a significant customer or if sales of our products to a significant customer substantially decrease for any reason and if we are not able to substitute the lost business, our business, financial condition and results of operations may be materially adversely affected.

The agreements with our customers generally do not contain minimum purchase obligations, which leaves us exposed to fluctuations in the demand behavior of our customers.

We generally have framework agreements with our retailer customers which allow those customers to place orders "on demand" and which generally do not contain minimum purchase obligations. There is an increasing trend among retailers, in particular, to strive to reduce working capital and procurement costs. If important customers terminate or do not extend the term of their framework agreements with us or significantly reduce their orders for our products compared to our internal sales forecasts, we may not be able to sell the relevant products we have already produced to other customers on favorable terms or at all. This could materially adversely affect our business, financial condition and results of operations.

We may fail to continue to realize further process optimizations, efficiency improvements and related costs savings in connection with our Continuous Improvement Process.

We have implemented a systematic and ongoing program to improve our profitability and cash position (the "**Continuous Improvement Process**"). As part of our Continuous Improvement Process, we are continuously working to further (i) optimize our customer and product mix by focusing on higher-margin customers and products, (ii) optimize our supply and delivery chains and generally improve efficiency, including through an improved allocation model for accepting and processing customer orders, increased standardization of our product offering and optimization of batch sizes to increase machine capacities, (iii) increase the efficiency of our production facilities through continuous modernization and capital investments and (iv) optimize our procurement processes, including by fully leveraging our purchasing power across the WEPA Group with our suppliers and by optimizing our supplier portfolio.

As we are unable to influence the market prices of our raw materials, energy prices or freight costs directly, our competitiveness and long-term profitability are, to a significant degree, dependent upon our continued ability to further optimize our processes, to generally improve our efficiency, to reduce costs (including the costs of raw materials and other costs such as energy costs, freight and logistics costs and personnel expenses) and to maintain our position as a leading, low-cost tissue producer in Europe. Our production costs are also significantly affected by production volumes and, therefore, our ability to maintain production levels and maximize capacity utilization will be a key factor in determining our overall cost competitiveness. Our ability to maintain earnings and undertake capital expenditure could be adversely affected in the event of a sustained material fall in prices for our products, an appreciable rise in our production costs or a decline in our production volumes. A number of factors beyond our control, such as operating disruptions, personnel turnover, competition, unforeseen delays in implementing initiatives and general economic and industry conditions as well as future development on the commodity and energy markets, could have an adverse effect on our ability to implement our strategy by limiting our ability to grow or our ability to reduce costs and increase efficiency, which could have a material adverse effect on our business. We may not be successful in achieving cost savings, generating growth and increasing our cash flows and profitability. In order to be able to continue to realize additional and sustained efficiency improvements through our Continuous Improvement Process year-after-year, we must also keep challenging ourselves and remain vigilant to avoid the risk of the Continuous Improvement Process becoming "routine".

If our ongoing efforts to improve our operational efficiency fail or the implementation of cost improvement measures are not effective, sustainable or achievable, our competitive position may suffer. Additionally, because we have factored the expected benefits of our process optimization and efficiency improvement measures into our business plan, our failure to continue to realize further process optimizations and efficiency improvements and to realize the related cost savings could have a material adverse effect on our margins and results of operations and financial condition.

The success of our business relies on certain key personnel, and our ability to attract and retain key personnel, other qualified management personnel and skilled workers.

The success of our business relies to a considerable extent on the efforts, abilities and reputation of our management board and our senior management team, especially our chief executive officer Martin Krengel. Mr. Krengel has also been responsible to a significant extent for our historical growth and strategic development. The loss of Mr. Krengel, other members of our management board or other key personnel could significantly disrupt our business and have a material adverse effect on our business and results of operations. Further, if we lost any of our key personnel, there can be no assurances that we will be able to successfully find a suitable replacement in a timely manner, or at all.

In addition, the success of our business depends on our ability to attract and retain qualified management personnel and skilled workers in the long-term. We compete with a large number of other companies when recruiting qualified employees. In Germany in particular, there is an increasing shortage of qualified personnel, especially workers with technical or engineering skills. If we are unable to continue to attract and/or train qualified employees sufficiently and to retain those employees within our Group, this could have a material adverse effect on our business, financial position and results of operations.

Our business could be adversely impacted by strikes and other labor disputes.

Our relationships with our employees and their unions, could deteriorate in the future and we might experience strikes, unionization efforts or other types of conflicts with labor unions or our employees. Any production shortages and delivery interruptions of our customers resulting thereby could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by increasing costs in maintaining our required level of workforce.

During 2015, we had an average of 2,816 employees and personnel expenses constitute a significant proportion of our cost base. Accordingly, inflationary pressures, changes in applicable laws and regulations or other factors resulting in increased labor costs, such as renewed or renegotiated collective bargaining agreements, could have a material adverse effect on our margins and results of operations and financial condition.

Our insurance coverage may not be adequate to cover all the risks we may face and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all.

Although we maintain insurance policies, including fire, explosion, radiation, electrical damage, machinery breakdown, fuel or power shortages, third-party liability insurance, transport insurance, computer insurance and directors' and officers' insurance, not all risks are insured or insurable (and may have significant deductibles on policies). Accordingly, our insurance policies do not provide coverage for all losses related to our business, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on our results of operations and financial condition. Due to variable insurance market conditions, there can be no assurance that the insurance that we carry will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability, and we may be required to enforce insurance coverage or pay high deductibles. In some cases, coverage is not available or is considered too expensive relative to the perceived risk. If we experience a loss in the future, the proceeds of the applicable insurance policies, if any, may not be adequate to cover replacement costs, lost sales, increased expenses and/or liabilities to third parties. This could have a material adverse effect on our results of operations and financial condition.

Our operations require substantial capital, and we may not have adequate capital resources to satisfy all of our cash requirements and our ability to satisfy our obligations under the Notes may be impaired.

Expansion or replacement of existing facilities or equipment and compliance with environmental, health and safety laws and regulations may require substantial capital expenditures. We cannot assure you that our capital resources will be sufficient for these purposes. If our capital resources are inadequate to provide for our operating needs, capital expenditures and other cash requirements, this shortfall could have a material adverse effect on our business and liquidity and impact our ability to service our debt, including the Notes.

Our production facilities are exposed to operational risks in the form of service interruptions caused by breakdowns of equipment and industrial accidents.

We operate production sites in Germany, France, Poland and Italy. Critical production equipment at one or more production sites may fail or be required to be shut down as a result of industrial accidents, leading to disruptions in production which we may not be able to absorb through our other production sites or existing product inventories. This, in turn, may result in delays in deliveries to our customers. For example, we had to shut down two of our converting lines, one in Cassino, Italy and one in Lille, France due to fire damage. The line in France could be restarted after a shut down for three weeks. The line in Cassino had been shipped to the original manufacturer in the US for a complex rebuilt which will take at least until September 2016. Operating machinery also carries the risk of industrial accidents which could cause injury or fatalities. In the event of an industrial accident, we may be faced with claims for damages or public proceedings, which can be costly and time-consuming to defend. Should we be found to be negligent, or the cover provided through insurance proves insufficient, we could be held liable for the injury suffered. Any such incidents could also damage our reputation and lead to a loss of customers, which could have a material adverse effect on our business, financial position and results of operations.

Potential compliance breaches could result in investigations by the relevant authorities, fines, damages claims and the termination of supply agreements by customers.

The WEPA Group consists of several separate entities in different jurisdictions, which all compete for high-volume orders from our customers. This carries with it the risk that our employees may engage in unauthorized conduct which breaches applicable legislation and regulations in order to gain an advantage when competing for, and initiating, orders. Such behavior may lead to legal proceedings against us, fines, sanctions, 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 that may be important for the business (e.g., joint ventures or other forms of cooperation). Furthermore, actual or alleged corrupt behavior by us or our employees could harm our reputation, lead to the loss of customers and have a negative impact on efforts to compete for new customer business in both the public and private sectors. Such investigations could also have a negative impact on the relationships with our existing customers upon which we depend, as well as on our ability to find new customers. Any investigations could lead to the rescission of certain existing contracts, and third parties, including competitors, could initiate legal proceedings against us. Any such past or future compliance breaches could therefore have a material adverse effect on our business, financial position and results of operations.

We are subject to antitrust and similar legislation in the jurisdictions in which we operate.

We are subject to a variety of antitrust and similar legislation in the jurisdictions in which we operate. In Germany as well as in some of our other markets, we have a market position that may make potential future acquisitions difficult and may limit our ability to expand by acquisition or merger, if we wished to do so.

In addition, we are subject to legislation in all the jurisdictions in which we operate relating to unfair competitive practices and similar behavior, both on an EU level and on a national level. There can be no assurance that we will not be subject to allegations of, or regulatory investigations or proceedings into, such practices or behavior. In the event that such allegations are proved, we may be subject to significant fines, damages awards and other expenses, any of which could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to the particular risks related to our increasingly international operations.

Our operations have become increasingly international. In addition to our home market, Germany, we currently operate facilities in the France, Italy, Poland and, through our joint venture Northwood & WEPA, the United Kingdom. As a result, we are vulnerable to risks in these countries and to the particular risks inherent in international operations, including:

- increased difficulties in the collection of accounts receivable, including longer collection periods;
- inconsistent regulations and unexpected changes in legislation or regulatory requirements and increased difficulty and expense in hiring and dismissing employees; work stoppages, transport interruptions and difficulties in managing international operations;

- adverse tax consequences, including as a result of complex transfer pricing regulations; and
- adverse currency fluctuations or restrictions on the transfer of cash.

The occurrence of any of the foregoing could have a material adverse effect on our results of operations due to the related delays or increased costs in the production and delivery of products and services.

We are subject to risks from legal proceedings.

From time to time, we are involved in litigation in the ordinary course of business and could become involved in additional legal and arbitration disputes in the future which may involve substantial claims for damages or other payments. The outcome of currently pending or potential future proceedings is difficult to predict with any certainty. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment, award or a settlement, we could be obligated to make substantial payments. In addition, costs related to litigation and arbitration proceedings may be significant. If any of these risks materialize, our business, financial condition and results of operations could be materially adversely affected. See also "*Business—Legal Proceedings*".

Our risk management and internal controls may not prevent or detect violations of law.

Our existing compliance processes and controls may not be sufficient to prevent or detect inadequate practices, fraud and violations of law by our intermediaries and employees. Due to our business operations in multiple countries in Europe, we are subject to a number of laws and regulations in various countries. These include, among others, regulations concerning competition and antitrust law, international trade and customs, licensing and permits, commercial intellectual property and its enforcement, warranty and product liability, environmental, building and zoning law, energy law, hazardous substances and chemicals law, labor and work protection law, tax law and regulations related to purchasing and acquisitions.

In the event that any intermediaries, consultants, sales agents or employees with whom we cooperate either receive or grant inappropriate benefits or generally use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties and loss of orders and harm to our reputation. Especially given our increasingly international profile, the size and the extent of our cooperation with intermediaries, consultants, sales agents and employees, our internal controls and procedures, policies and our risk management may not be adequate to identify or prevent such practices, which could have a material adverse effect on our results of operations and financial condition.

The operational and strategic management of our business relies on complex information technology. As a result, any IT systems failure, unauthorized data access, data loss or data manipulation could have a material adverse effect on our business.

The operational and strategic management of our business relies on complex information technology and the uninterrupted operation of complex and sophisticated computer, telecommunication and data processing systems. Computer and data processing systems and related information technology infrastructure (data center, hardware and wide and local area networks) are generally exposed to the risk of disturbances, damage, electricity failures, computer viruses, fire, other disasters, hacker attacks, unauthorized or improper access or abuse by employees and similar events. In addition, following the acquisition of most of the assets of the Kartogroup in 2009 and the general expansion of our business, we decided to transition to a standardized enterprise resource planning ("**ERP**") software in 2011. In connection with the ongoing transition, IT systems failures, unauthorized data access, data loss or data manipulation may occur and could result in significant disruptions to our business and have a material adverse effect on our financial position and results of operations.

We may not be able to integrate acquired businesses effectively or successfully.

To complement or expand our business, we have in the past made a number of acquisitions and we may continue to make acquisitions in the future. In particular, we acquired the former Lucart plant in Troyes, France, effective March 1, 2015. Management's negotiation of potential acquisitions and joint-ventures and the integration of acquired businesses require time, focus, and resources of management and of our employees. When combining previously independent businesses, marketing systems and corporate cultures, problems and risks may arise, including, among others:

- We may not be able to successfully integrate the acquired business, and its different business models.

- We may not be able to integrate the acquired technologies or products with current technologies.
- We may not be able to retain key personnel of the acquired business.
- We may assume material unknown liabilities and contingent liabilities of acquired companies, including legal, tax, intellectual property, environmental or other significant liabilities that may not be detected by the due diligence process.
- We may have difficulty implementing, restoring, or maintaining internal controls, procedures, and policies.
- There may be a negative impact on relationships with customers, partners, or third-party providers of technology or products.
- Integrating systems for customer care and billing and standardizing finance and accounting, purchasing, human resource, and other administrative systems can be time-consuming and costly, and can cause unforeseen difficulties.
- There may be regulatory constraints.
- The acquired business may have practices or policies that are incompatible with our compliance requirements.
- We may take on substantial additional indebtedness.

For example, the integration of our newly acquired production site in Troyes, France into our European network has already required (and will continue to require) significant management attention and investments, both into our new employees and into our local production facilities.

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets. Such charges may have a significant negative impact on operating margins and income. We may not be successful in overcoming these risks and we may therefore not benefit as anticipated from acquisitions or alliances, which could negatively impact our business, financial position and results of operations.

We are subject to environmental and other regulatory requirements which may change, resulting in additional costs.

We are subject to a wide range of environmental laws and other regulatory requirements, including with regards to workplace health and safety requirements, discharges of pollutants and other emissions and the use, disposal and remediation of hazardous substances and contaminants. As an international producer of tissue products with production sites in Germany, France, Italy, Poland and the United Kingdom, we are subject not only to German regulations, but also to applicable legal provisions in other countries and the European Union. We have incurred and expect to continue to incur expenditures to ensure continued compliance with applicable environmental laws and other regulatory requirements. These laws and regulations are continually being adapted in line with technological advancements, increased safety requirements, higher quality standards and environmental awareness, on both a national and an international level. We may therefore be subject to increasingly strict regulatory requirements. This could affect our production costs and overall profitability. Failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or other mandated actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or other mandated actions. In addition, we may be liable under certain circumstances, among others, for contaminations of soil, water and air and may be required to take or pay for remedial action. We expect that future changes to existing legal requirements or new regulations may affect our business and could lead to higher costs, or may result in adjustments to our business model, which could have a material adverse effect on our business, financial condition and results of operations.

Recent economic events affecting the European economies may adversely affect our financial position and operating results.

We currently operate solely in Europe. In recent years, economic events affecting the European economies, including the sovereign debt and economic crisis in Cyprus, Greece, Italy, Spain and Portugal, have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Despite measures taken by countries in the European Monetary Union and the European Central

Bank to alleviate credit risk, concerns persist with respect to the ability of certain European Monetary Union countries to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual European Monetary Union member states. The economic outlook is adversely affected by the risk that one or more European Monetary Union countries could come under increasing pressure to leave the European Monetary Union, or that the euro could cease to be the single currency of the European Monetary Union. Current structural challenges in the Eurozone particularly relate to the ongoing refugee crisis and risks of a so-called "Brexit" in the United Kingdom, each of which could pose a threat to European integration and attempts of further expanding, or at least maintaining, a single economic and monetary area. The legal and contractual consequences of such a development for the business of the Group and for holders of the Notes would be determined by applicable laws in effect at such time. Any of these developments, or a perception that any of these developments may be likely to occur, could have a material adverse effect on the economic development of the affected countries or lead to economic recession or depression that could jeopardize the stability of financial markets or the overall financial and monetary system. Any of these developments could have a significant negative impact on our business, financial condition and results of operations.

We rely on outside suppliers and subcontractors and are therefore susceptible to disruptions in our supply chain.

We rely on outside suppliers and subcontractors and their ability to deliver raw materials, products or services at the right time and of the right quality. Our most important production inputs are pulp, recovered paper, freight, energy and chemicals as well as machinery and equipment. For some of these inputs, there are a limited number of potential suppliers. In the event of a significant interruption or limitations in the supply of these production inputs from our current suppliers, there can be no assurance that we would be able to find alternate suppliers or do so without adversely impacting our manufacturing operations, such as an interruption or downscaling of production or change in the product mix, or increased costs. A loss or interruption in the delivery of our key raw materials could lead to a significant disruption of our operations and have a material adverse effect on our business, financial condition and results of operations.

We are exposed to general counterparty risk.

We have contracts with a variety of third parties including customers, suppliers and hedging counterparties. We do not have control over the management or business of these third parties except indirectly through terms we negotiate in our contracts with these third parties and we are exposed to risks associated with the financial condition of these third parties. If any of these third parties experiences financial difficulties or changes or terminates its contractual commitments to us, we may incur costs enforcing our contractual rights and we may incur significant losses from our exposure to third parties. This could materially adversely affect our business, financial condition and results of operations.

We are family owned and conflicts of interest could arise between our company, our family owners and our management.

Members of the Krengel family control, directly or indirectly, the direction of our business. Our chief executive officer Martin Krengel is both a member of the Management Board of WEPA Industrieholding SE, member of a shareholder family and a managing director of the Issuer. All interests in WEPA Industrieholding SE are ultimately owned by members of the Krengel family. The interests of WEPA Industrieholding SE or the interest of its ultimate shareholders may conflict with the overall interests of our company or with the interest of holders of the Notes with respect to certain business decisions, particularly if we encounter financial difficulties or are unable to pay our debts when due, including under the Notes. Our family shareholders could also have an interest in pursuing acquisitions, joint ventures, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their investments although such transactions might involve risks to the holders of the Notes.

Substantial additional payments of tax may be required as a result of ongoing or future tax audits.

We are subject to periodic audits by tax authorities. If the tax authorities successfully challenge our operations or tax structurings, substantial additional payments of tax may be required as a result of future tax audits. For example, the tax authorities in Germany just recently completed a tax audit in relation to income tax and value added tax for the tax assessment periods of 2006 to 2010, leading to an additional burden of our Group of approximately €6.2 million and a corresponding interest burden of approximately

€1.2 million. We have created corresponding provisions of €5.4 million in our financial statements ending December 31, 2015 and a provision for the remaining amount in the first quarter of 2016. Still subject to review by the tax authorities are in particular the changes to our organization and a number of Group companies to streamline the organizational structure and operations of the WEPA Group in 2011, the refinancing of our Group in 2013 and the merger of two French Group companies in 2015. Any additional payments of tax required as a result of ongoing or future tax audits could give rise to further financing requirements, which have not been taken into account in our current liquidity planning. Thus, we may be required to make substantial additional tax payments as outcome of future tax audits, which could have material adverse effects on our business, financial position and results of operations.

The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.

Due to the pan-European nature of our business, we are subject to tax laws in several jurisdictions. We are also subject to transfer pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect our business, financial condition and results of operations.

In addition, there are many transactions and calculations in the ordinary course of business where the ultimate tax determination is uncertain. The application of various domestic and international sales, use, occupancy, value-added and other tax laws, rules and regulations is subject to interpretation by the applicable taxing authorities. We often rely on generally available interpretations of tax laws and regulations in the jurisdictions in which we operate. We cannot be sure that these interpretations are accurate or that the responsible taxing authority is in agreement with our views. If the tax laws, rules and regulations are amended, if new adverse laws, rules or regulations are adopted, or if current laws are interpreted adversely to our interests, the results could increase our tax payments (prospectively or retrospectively) and/or subject us to penalties. As a result, these changes could decrease the capital we have available to operate our businesses and have an overall adverse effect on our businesses and financial performance.

We may be affected by the German "interest ceiling" rules.

Interest payments on the Notes, the Senior Revolving Credit Facility and on our other debt may not be fully deductible for tax purposes, which could adversely affect our financial results.

We are subject to so-called interest barrier rules (*Zinsschranke*), which impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expenses exceeding 30% of tax adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes, *i.e.*, the Issuer and certain Guarantors, are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of the tax adjusted EBITDA.

There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expenses, which, however, should not be available to the Issuer. To the extent our net interest expenses exceed 30% of our tax adjusted EBITDA in any given year, we would therefore not be able to deduct the excess in our net interest expense in calculating our taxable earnings for the relevant year. This may have an adverse effect on our liquidity and financial condition and on our ability to meet our obligations under the Notes and the Guarantees.

The information available to market analysts varies in its degree of comparability.

This offering memorandum contains information regarding market positions, market shares, growth rates and other industry data pertaining to our business drawn from reports and other materials compiled by independent professional organizations and analysts. This includes reports prepared by RISI and Hawkins Wright. The analysts compiling these reports base their estimates and conclusions on a variety of sources, some of which may be more comparable than others. These sources may include:

- official information published by government agencies,
- reports published by exchange listed companies with public reporting obligations,

- information offered voluntarily by privately held companies, and
- analysts' own estimates based on information obtained in conversations with competitors, suppliers, customers and other market participants.

Although our industry uses these reports as a standard source of market data, we cannot determine the level of reliability and comparability of the data in the reports. The analysts' estimates and conclusions can vary, and have in the past varied, materially from the true figures and as a result their reports can under or overstate market size, market share, growth rates and other important industry data. Accordingly, you should use caution in using these estimates and any information regarding market position or shares contained in this offering memorandum and you should not place undue reliance on such estimates or information.

RISKS RELATED TO OUR STRUCTURE AND FINANCIAL POSITION

Our debt agreements contain customary financial and restrictive covenants that limit our operating flexibility.

The Conditions of Issue and our Senior Revolving Credit Facility contain, or will contain, covenants significantly restricting our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock,
- create or incur liens,
- prepay or redeem subordinated debt or equity,
- make certain investments,
- engage in certain transactions with affiliates or subsidiaries,
- sell capital stock of subsidiaries, or
- consolidate or merge with other entities.

In addition, our Senior Revolving Credit Facility contains a financial covenant as described under "*Description of Other Indebtedness—Senior Revolving Credit Facility*".

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

If we are unable to comply with the financial and restrictive covenants included in the Senior Revolving Credit Facility, the Conditions of Issue or any future debt agreements, there could be a default under such agreements, which could result in an acceleration of repayment.

As described under "*—Our debt agreements contain customary financial and restrictive covenants that limit our operating flexibility*" above, the Conditions of Issue and our Senior Revolving Credit Facility contain, and any future debt agreements we enter into may contain, a number of financial and restrictive covenants. Our ability to comply with these covenants, including meeting financial ratios and tests, depends on a number of factors, some of which may be beyond our control, such as a deterioration of the industries and markets in which we operate, their inability to fully recover from the global financial and economic crisis, or a deviation from the assumptions contained in our business plan. As a result, we may be unable to comply with our financial and restrictive covenants, and any failure may materially adversely affect our business, financial condition and results of operations.

The breach of a financial or other covenant or our failure to meet any of our obligations under any of the agreements governing our debt may result in a default under such agreements, which in turn could result in a number of adverse consequences including, prohibiting us from drawing additional funds under credit facilities, significant increases in interest rates and other financing costs, the acceleration of all outstanding amounts under such agreements requiring us to immediately repay the related debt in whole or in part, and/or the commencement of foreclosure or other enforcement actions against any of our assets securing such debt. In addition, any default may expose us to requests by our customers for advance payments for deliveries and a reduction or cancellation by credit insurers of their commitments, as well as the trigger of cross-default and cross-acceleration clauses contained in our other debt agreements. As a result, cross-default and cross-acceleration provisions under our other debt agreements, including the Notes, may be triggered and our liquid funds and short-term cash flow may be insufficient to service any of the debts in the circumstances described above. If any of these events occur, we may be unable to obtain alternative debt or equity financing to refinance our debt obligations, on acceptable terms or at all. If we are unable to refinance our debt obligations, we may be forced to sell assets, however, our assets may not be sufficient to repay in full all of our outstanding indebtedness. Accordingly, any failure by us to service our debts may have a materially adverse effect on our ability to satisfy our obligations, including under the Notes and the Guarantees.

Our substantial leverage may make it difficult for us to operate our business.

We are, and expect to continue to be, highly leveraged and have significant debt service obligations. See "*Description of Other Indebtedness*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Summary Financial Information*". As of March 31, 2016, after giving pro forma effect to the issuance of the Notes and the use of proceeds therefrom, as described in "*Use of Proceeds*," we would have had total outstanding principal amount of indebtedness of €472.0 million (including under our warehouse leasing arrangements, but excluding our ABS Program which is off-balance sheet), resulting in a consolidated debt to EBITDA ratio of 3.6x. In addition, we would have had the ability to borrow an additional €125 million under our Senior Revolving Credit Facility (less the €7.5 million in payment guarantees pursuant to an ancillary facility).

Our significant leverage could have important consequences to the Holders, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- 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, our 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;
- restricting us from pursuing acquisitions or exploiting business opportunities;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors;
- exposing us to increases in interest rates to the extent any of our debt bears interest at a floating rate;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings.

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

Furthermore, we may incur substantial additional indebtedness in the future. Although our Senior Revolving Credit Facility contains, and the Conditions of Issue will contain, restrictions on the incurrence of additional indebtedness, the restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. To the extent we become even more leveraged or incur additional obligations, the risks described above will intensify.

Borrowings under our credit facilities will bear interest at floating rates that could increase significantly.

A substantial part of our indebtedness, including our borrowings under the Senior Revolving Credit Facility, are at variable rates of interest and expose us to interest rate risk. If interest rates rise in the future, our interest expense associated with any variable rate obligations that are not hedged would increase, even though the amounts borrowed would remain the same, reducing cash flow available to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes, including satisfying our debt service obligations, including under the Notes and the Guarantees. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Interest rate risk*".

Changes in, or uncertainty relating to, the EURIBOR, LIBOR or WIBOR calculation process may adversely affect the interest we pay on our Senior Revolving Credit Facility.

The Senior Revolving Credit Facility will bear interest at interest rates based on EURIBOR, LIBOR or WIBOR, as applicable. Following allegations of manipulation of LIBOR, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR may have been manipulating or attempting to manipulate EURIBOR. Actions by EURIBOR-EBF (the association setting the regulatory framework for the calculation of EURIBOR), other regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or WIBOR is determined. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported EURIBOR or WIBOR which could have an adverse impact on the interest we pay on borrowings under the Senior Revolving Credit Facility. To the extent that interest rates were to increase significantly, our interest expense could correspondingly increase, thereby reducing our cash flow.

We require a significant amount of cash to service our debt, and our ability to generate sufficient cash depends on factors that may be beyond our control.

Our ability to service and refinance our debt and to fund future operations and capital expenditures is highly dependent on our future operating performance and our ability to generate sufficient cash flow. To a certain degree, this ability is connected to general economic, financial, competitive, market, legislative, regulatory and other factors which may be outside our control. Due to any of these factors, we may be unable to generate sufficient cash flows from our operations, anticipated cash flow increases, sales growth, cost saving or operating improvements, and any future debt or equity financing may not be available to us in amounts which would enable us to pay the principal premium and interest of our indebtedness, including the Notes.

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

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

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

Market perceptions concerning the instability of the euro could adversely affect the value of the Notes and have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated.

Concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes and could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected. Furthermore, the Conditions of Issue and our Senior Revolving Credit Facility contain or will contain, covenants restricting our and our subsidiaries' corporate activities. See "*—Our debt agreements contain customary financial and restrictive covenants that limit our operating flexibility*". Certain of such covenants impose limitations based on euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

RISKS RELATED TO THE NOTES

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

Although the Conditions of Issue restrict the Issuer's and its restricted subsidiaries' ability to pledge any assets as collateral to secure other debt and require the Issuer and its restricted subsidiaries to secure the Notes equally and ratably if we pledge any assets for the benefit of certain other debt, both the restriction on pledging assets or incurring liens and the requirement to provide equal security to the Notes are subject to a number of significant exceptions and carve-outs. See "*Description of the Notes—Covenants—Limitation on Liens*". For example, if the Issuer or its restricted subsidiaries acquire assets subject to security interests securing other indebtedness, such security interests will be permitted to remain in place under the terms of the Conditions of Issue and will not trigger a requirement to secure the Notes or Guarantees equally and ratably. To the extent the Issuer or any of its restricted subsidiaries pledges any assets for the benefit of other debt without also securing the Notes, the Notes and the Guarantees will be effectively subordinated to such debt to the extent of the value of such assets. As a result of the foregoing, holders of (present or future) secured debt of the Issuer and its restricted subsidiaries may recover disproportionately more on their claims than the Holders in an insolvency, bankruptcy or similar proceeding. The Issuer and the Guarantors may not have sufficient assets remaining to satisfy our obligations under the Notes or the Guarantees, respectively.

The Notes and the Guarantees will be structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Not all of our subsidiaries will guarantee the Notes. Our non-guarantor subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by Holders under the Notes or the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the non-guarantor 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 its parent entity. As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries. In addition, the terms of the Conditions of Issue and our other indebtedness allow the non-guarantor subsidiaries to incur additional debt in the future, which will be structurally senior to the Notes. See "*Description of Other Indebtedness*".

We are subject to significant restrictive debt covenants under the Conditions of Issue, our Senior Revolving Credit Facility and the financial debt, all of which limit our operating flexibility.

The Conditions of Issue contain covenants which impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional indebtedness or issue certain preferred stock;

- create or incur certain liens;
- pay dividends, redeem capital stock or make other distributions;
- prepay or redeem subordinated debt as equity;
- make certain other restricted payments or restricted investments;
- enter into agreements that would impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- transfer or sell assets;
- engage in certain transactions with affiliates;
- merge or consolidate with other entities; and
- impair the security interests for the benefit of the holders of the Notes.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. The Conditions of Issue will permit us to incur unsecured as well as secured debt in the future, which may be substantial.

In addition, our Senior Revolving Credit Facility will include covenants that, in general, impose similar, if not tighter, restrictions on the actions mentioned above. In addition, the covenants under our Senior Revolving Credit Facility will impose further restrictions on the way we can operate, including restrictions on our ability to:

- purchase Notes in the secondary market;
- transfer our center of main interest to a jurisdiction outside of Germany; and
- amend constitutional documents.

The Senior Revolving Credit Facility will also include a springing leverage covenant, which will require us not to exceed a certain consolidated net leverage (i) at any quarterly testing date during a time during which the aggregate base currency amount of all utilizations of loans (including all utilisations under ancillary facilities (excluding letters of credit other than to the extent issued for cash loans or similar instruments)) under the Senior Revolving Credit Facility will be equal to or greater than 35 per cent. of the total commitments thereunder (the "**Financial Covenant Condition**") or (ii) if a utilization has been requested at any time where the Financial Covenant Condition is met or would be met by the proposed utilization. See "*Description of Other Indebtedness—Senior Revolving Credit Facility*". Our ability to meet these financial tests may be affected by events beyond our control and, as a result, we may not be able to meet these tests. Any breach of the leverage covenant under the Senior Revolving Credit Facility could result in a draw-stop under the Senior Revolving Credit Facility and/or an acceleration of that facility, which in turn could, subject to certain threshold amounts being reached, trigger a cross acceleration of the Notes.

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

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

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

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. For example, in Italy, the enforcement of a security interest by the Security Agent may require the completion of judicial proceedings in the jurisdiction that is relevant for such security interest. Furthermore, because we operate in a market environment subject to production overcapacity from time to time, it may be difficult for the Security Agent to sell our manufacturing facilities or other assets in an enforcement scenario. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consent. In addition, the consents of any third parties may not be given, when required, to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

Pursuant to the Intercreditor Agreement, creditors under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes.

The obligations of the Issuer under the Notes and the Guarantees are secured on a first-ranking basis with security interests over Collateral that also secure our obligations under the Senior Revolving Credit Facility, certain Hedging Obligations and certain Cash Management Liabilities. The Conditions of Issue also permit the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the liabilities under the Senior Revolving Credit Facility as well as certain Priority Hedging Obligations and certain Cash Management Liabilities will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure on the Collateral, you may not be able to recover on the Collateral if the then-outstanding claims under the Senior Revolving Credit Facility and such amount in respect of such Priority Hedging Obligations or such Cash Management Liabilities are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Senior Revolving Credit Facility and such amount in respect of such certain Priority Hedging Obligations and Cash Management Liabilities have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes and any other obligations secured by the Collateral on an equal basis with the Notes.

The Intercreditor Agreement will provide that a common security agent, who will also serve as the security agent for the lenders under the Senior Revolving Credit Facility, our hedging obligations, our Cash Management Liabilities and any additional secured debt permitted to be incurred under the Conditions of Issue and the Senior Revolving Credit Facility, will act only as provided for in the Intercreditor Agreement.

In general, the facility agent under the Senior Revolving Credit Facility and holders of the Notes and any permitted future senior secured debt, voting as provided below, will have, subject to certain restrictions, the ability to provide enforcement instructions to the Security Agent to enforce the shared Collateral. The Intercreditor Agreement will provide that, where there is an inconsistency between enforcement instructions provided by the holders of more than 66% of the aggregate of all outstanding liabilities under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Obligations (the "**Majority Super Senior Creditors**") and the holders of more than 50% of the total "**Majority Senior Creditors**", being the aggregate of the Notes and any other indebtedness sharing the Collateral on a first-ranking basis, the latter instructions will prevail. However, if and to the extent the obligations under the Senior Revolving Credit Facility have not been fully discharged within six months of the end of an initial consultation period or no enforcement action has been taken within three months of such date or an insolvency event (as defined in the Intercreditor Agreement) occurs, the enforcement instructions provided by the Majority Senior Creditors will prevail. The lenders under the Senior Revolving Credit Facility and certain hedging counterparties may have interests that are different from the interests of holders of the Notes, and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents (as defined in the Intercreditor Agreement) at a time when it would be disadvantageous for the holders of the Notes to do so.

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

In addition, in certain circumstances, including acceleration of the Senior Revolving Credit Facility or the Notes, any amounts recovered from the enforcement of Collateral or other asset sales will be required to be turned over to the Security Agent. Subject to the prior payment of fees and expenses of the agent under the Senior Revolving Credit Facility, the Holders' Representative and Security Agent, the Intercreditor

Agreement requires the Security Agent to pay amounts turned over to it or otherwise received by it in respect of the Notes, such as proceeds from the enforcement of the Collateral and other asset sales, to the lenders under the Senior Revolving Credit Facility and counterparties to certain hedging obligations and certain cash management providers in priority to the holders of the Notes.

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

The Guarantee Agreement and the relevant security agreements will provide that each Guarantee and the Collateral will be limited as necessary to recognize certain defenses generally available to guarantors and security providers (including those that relate to general statutory limitations, capital maintenance, corporate benefit, fraudulent preference, financial assistance or thin-capitalization rules or other similar laws or regulations (or analogous restrictions) of any applicable jurisdiction). See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*".

If one or more of these laws and defenses are applicable, a Guarantor or security provider may have no liability or decreased liability under its Guarantee or Collateral, as applicable, depending on the amounts of its other obligations and applicable law. In addition, the amount of liabilities secured by the pledge by WEPA International GmbH of its shares in WEPA Italia S.r.l. will be limited to €10 million.

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

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

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

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

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

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

Enforcement of the Collateral across multiple jurisdictions may be difficult.

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

The granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests (see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*"). The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective applicable hardening period, it may be declared void and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods. The applicable hardening period may run from the moment such new security is amended, granted or perfected. If the security interest granted were to be enforced before the end of the respective applicable hardening period, it may be declared void or ineffective and/or it may not be possible to enforce it.

The insolvency laws of Germany, France, Italy and Poland 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.

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

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

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

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

The liens on the Collateral securing the Notes may not be perfected in terms of validity, enforceability, ranking or otherwise with respect to the claims of the Notes if we, the Security Agent or any other third party, fail or are unable to take the actions (e.g., as for filing, registration, modification or other requirements) required to perfect any of these liens. Furthermore, it should be noted that neither the Holders' Representative nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens.

The security interests in the Collateral and the Guarantees will be granted to the Security Agent rather than directly to you.

The Guarantees and the security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Conditions of Issue will provide that only the Security Agent has the right to enforce the Security Documents (as defined in the Intercreditor Agreement) in accordance with the terms of the Intercreditor Agreement and the Guarantees in accordance with the terms thereof. As a consequence, holders of the Notes will not have direct security interests or Guarantee claims and will not be entitled to take enforcement action in respect of the Collateral securing the Notes or the Guarantees, except through the Holders' Representative, who will (on behalf of the holders of the Notes and subject to the provisions of the Conditions of Issue, the Guarantee Agreement and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral or the Guarantees.

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

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

Furthermore, it is uncertain and untested in the Italian courts whether, under Italian law, security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of the Holders' Representative, since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Holders' Representative as agent for holders of the Notes under security interests on Italian assets is debatable under Italian law. Given the above and considering that the holders of the Notes may not be direct parties to the Security Documents (as defined in the Intercreditor Agreement) governed by Italian law, 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 Security Documents (as defined in the Intercreditor Agreement) governed by Italian law and/or cannot enforce that security. To address the above potential issue, the Collateral will be granted and perfected in favor of the Holders' Representative acting also in its capacity as legal representative (*mandatario con rappresentanza*) of the holders of the Notes.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors.

There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Holders' Representative.

Under various circumstances, Collateral securing the Notes and the Guarantees may be released automatically, including, without limitation, the following:

- in connection with the disposition of Collateral to any person other than a Guarantor or any restricted subsidiary, other than to a receivables subsidiary (but excluding any transaction as described under "*Description of the Notes—Covenants—Merger and Consolidation—Guarantors*") that is not prohibited by the Conditions of Issue;
- upon payment in full of principal, interest and all other obligations in respect of the Notes in accordance with the Conditions of Issue;
- in the case of a Guarantor that is released from its Guarantee (with respect to the liens securing such Guarantee granted by such Guarantor);
- if a restricted subsidiary is designated to be an unrestricted subsidiary, the release of the property, assets and capital stock of such restricted subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Conditions of Issue;
- as described under "*Description of the Notes—Amendments and Waivers*", "*—Covenants—Merger and Consolidation*" and "*—Impairment of Security Interest*";
- if the lien granted in favor of other indebtedness that gave rise to the obligation to grant the lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); and
- in connection with the granting or creation of certain "Permitted Liens" (as defined in the Conditions of Issue).

In addition, under various circumstances, the Guarantees may be released automatically, including, without limitation, the following:

- upon a sale or other disposition (including by way of consolidation or merger) of ownership interests in the Guarantor (directly or through a parent company) such that a Guarantor does not remain a restricted subsidiary, or upon a sale or other disposition of all or substantially all the assets of a Guarantor (other than to the Issuer or a restricted subsidiary), in each case, otherwise not prohibited by the Conditions of Issue;
- upon payment in full of principal, interest and all other obligations in respect of the Notes in accordance with the Conditions of Issue;
- if a Guarantor is designated to be an unrestricted subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Conditions of Issue;
- upon the release of any Guarantee of indebtedness that resulted in the creation of such Guarantee under the Conditions of Issue, so long as no event of default has occurred and is continuing, to the extent that such Guarantor does not guarantee certain other debt; and

- as described under "*Description of the Notes—Amendments and Waivers*" and "*—Covenants—Merger and Consolidation*".

We may not be able to repay the Notes when due or to repurchase the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Conditions of Issue may not necessarily afford you protection in the event of certain important corporate events.

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

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

A change of control may result in an event of default under, or acceleration of our then-existing indebtedness, and the repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness even if the change of control itself does not. The change of control provision contained in the Conditions of Issue may not necessarily afford you protection in the event of certain important corporate events, including 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 Conditions of Issue.

The definition of "change of control" contained in the Conditions of Issue includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law in some jurisdictions interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under law and there is no German case law interpreting "all or substantially all" in the context of terms and conditions of high yield notes or other debt instruments. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Certain amendments to the Conditions of Issue may be passed with the consent of 90% of less than the majority of the Notes outstanding.

The Conditions of Issue may be amended by a vote of the holders of the Notes. Amendments require a majority of not less than 50.1% of votes cast or, for certain amendments, 90% of the votes cast as opposed to 50.1% or 90%, respectively, of the aggregate principal amount of the Notes outstanding. Certain further amendments to the Conditions of Issue require approval of 100% of the holders of the Notes. The voting process under the Conditions of Issue will be governed in accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen, Schuldverschreibungsgesetz, SchVG*), pursuant to which the quorum for noteholder votes is principally set at a simple majority. Accordingly, the aggregate principal amount of Notes required to vote in favor of an amendment will vary based on the noteholder votes participating. For example, if the holders of less than 55.5% of the aggregate principal amount of the Notes participate in a vote, any proposed amendment, including amendments subject to the 90% threshold, can be passed with less than a majority of the aggregate principal amount of the Notes consenting. See "*Description of the Notes—Amendments and Waivers*".

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

The Issuer is incorporated in Germany. The Guarantors of the Notes are incorporated in France, Italy and Poland. Each member of our management team and the directors and executive officers of the Guarantors are non-residents of the United States, and all of our assets and the assets of the Guarantors and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer, a Guarantor or such persons or to enforce against any of them in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States, and there is doubt as to the enforceability in the home jurisdictions of the other Guarantors of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for enforcement of judgments of U.S. courts. It may also not be possible for investors to effect service of process within Germany upon the Issuer or the Guarantors or those persons under the Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, particularly if such service violated the German Constitutional Law (*Grundgesetz*). If a judgment is obtained in a U.S. court against the Issuer or any Guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. As all the assets of the Issuer and the Guarantors and the assets of its and their directors are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against us or them. See "*Service of Process and Enforcement of Civil Liabilities*".

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

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

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

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

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, 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. 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. The Initial Purchasers of the Notes have advised us that they currently intend to make a market in the Notes. The Initial Purchasers are not, however, obliged to do so, and they may discontinue any market-making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

The Notes may not become, or remain, listed on the Luxembourg Stock Exchange.

Although the Issuer intends to use its reasonable best efforts to have the Notes admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF of the Luxembourg Stock Exchange within a reasonable period after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer cannot maintain the listing on the Official List of the Luxembourg Stock Exchange or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so.

Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF of the Luxembourg Stock Exchange, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Luxembourg Stock Exchange may have a material effect on a Holder's ability to resell the Notes in the secondary market.

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

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

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

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

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

The Conditions of Issue will provide that, if at any time following the date of the Conditions of Issue, the Notes receive a rating of "BBB−" or better from S&P and "Baa3" or better from Moody's and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below "BBB−" from S&P and below "Baa3" from Moody's, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Covenants—Suspension of Covenants*". If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

The Notes will 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.

The Notes will initially only be issued in global certificated form and held through Clearstream Banking. Interests in the global notes will be recorded in book-entry form only. Ownership of interests in each global note will be limited to persons who have accounts with Clearstream Banking or persons who hold interests through participants. The global notes representing the Notes will be deposited with Clearstream Banking. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to Deutsche Bank AG as Paying Agent, which will make payments to Clearstream Banking. Clearstream Banking will, in turn, distribute those payments to its participants that hold book-entry interests in the global notes representing the Notes in accordance with its procedures and these payments will be credited by such participants to indirect participants for the benefit of the holders of the co-ownership interests (*Miteigentumsanteile*) in the Notes represented by each global note. After payment to Clearstream Banking, we will have no responsibility or liability for the payment of interest, principal or other amounts in respect of the Notes. Accordingly, if you own a book-entry interest, you must rely on the procedures of Clearstream Banking and, if you are not a participant in Clearstream Banking, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Conditions of Issue. See "*Book-Entry, Delivery and Form*".

USE OF PROCEEDS

We estimate that the gross proceeds from the Offering will be approximately €450.0 million. We will use a portion of the proceeds therefrom (i) to redeem the Existing Notes, (ii) to repay €30 million in drawings and accrued and unpaid interest under the Senior Revolving Credit Facility and (iii) to pay other costs, fees and expenses incurred in connection with the Refinancing, including commitment, placement, financial advisory fees and other transaction costs and professional fees in connection with the issuance of the Notes and the amendment of the Senior Revolving Credit Facility.

The following table illustrates the estimated sources and uses of funds. The actual amounts set forth in the table and in the accompanying footnotes, which are based on March 31, 2016 outstanding balances, are subject to adjustment and may differ at the time of the consummation of the Offering depending on several factors, including differences from our estimate of costs, fees and expenses.

You should read "*Capitalization*", "*Description of Other Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" for a more detailed description of the expected use of proceeds and our capitalization and financing arrangements following the completion of the Refinancing.

Sources	in € millions	Uses	in € millions
Notes offered hereby[(1)]	450.0	Redemption of the Existing Notes[(2)]	327.0
		Redemption costs[(3)]	17.7
		Repayment under the Senior Revolving Credit Facility[(4)]	30.0
		Estimated fees and expenses[(5)]	6.0
		Cash and cash equivalents[(6)]	69.3
Total Sources	**450.0**	**Total Uses**	**450.0**

(1) Reflects the expected gross proceeds from the issuance of the Notes, assuming the Notes are issued at par.

(2) Reflects €327 million in outstanding principal amount of Existing Notes that will be redeemed as part of the Refinancing.

(3) Includes (i) an amount of €15.9 million of redemption premium payable to the holders of the Existing Notes on the Redemption Date under the conditions of issue of the Existing Notes and (ii) an estimated €1.7 million of accrued and unpaid interest payable to the holders of the Existing Notes on the Redemption Date with regard to the period from and including May 15, 2016, the next interest payment date for the Existing Notes, to but excluding the Redemption Date.

(4) Reflects €30 million in drawings and estimated €47,000 accrued and unpaid interest that we expect to owe under the Senior Revolving Credit Facility on the Issue Date and that we will repay on the Issue Date as part of the Refinancing.

(5) Reflects our estimate of costs, fees and expenses we will incur in connection with the Refinancing, including commitment, placement, financial advisory and other transaction costs and professional fees, but excluding the redemption costs. Actual costs, fees and expenses may differ.

(6) We intend to use a portion of the proceeds from the Offering to fund additional capital expenditures required for the completion of certain ongoing and proposed expansion projects to which we are already committed. For more details on these expansion projects, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*". The expected excess cash proceeds from the Offering will also provide us with additional liquidity to enable us to fund a potential special cash dividend of up to €20 million to our Parent as permitted under the Conditions of Issue.

CAPITALIZATION

The following table shows our consolidated cash and cash equivalents and our capitalization as of March 31, 2016, on a historical basis and as adjusted to give effect to the payment of a €17.9 regular dividend to our Parent on April 28, 2016, the issuance of €450 million aggregate principal amount of the Notes pursuant to the Offering, the proposed amendment of the Senior Revolving Credit Facility and the use of a portion of the proceeds from the Offering (i) to redeem the Existing Notes, (ii) to repay €30 million in drawings and accrued and unpaid interest under the Senior Revolving Credit Facility and (iii) to pay other costs, fees and expenses incurred in connection with the Refinancing, including commitment, placement, financial advisory fees and other transaction costs and professional fees in connection with the issuance of the Notes and the proposed amendment of the Senior Revolving Credit Facility, in each case as described under "*Summary—The Refinancing and Certain Related Transactions*" as if they had occurred on March 31, 2016.

The historical consolidated financial information in the following table has been derived from our unaudited consolidated financial statements as of and for the three-month period ended March 31, 2016 included elsewhere in this offering memorandum. All data in the table below represent the carrying amounts except for the Notes offered hereby. The adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the Refinancing.

You should read this table in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Other Indebtedness*", "*Description of the Notes*" and the financial statements and notes thereto included elsewhere in this offering memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2016.

	As at March 31, 2016 Actual	As at March 31, 2016 As Adjusted
	(unaudited) (€ in millions)	
Cash and cash equivalents	37.5	106.8(1)
Senior Revolving Credit Facility(2)	20.0	—
Warehouse Lease Arrangements(3)	19.8	19.8
Bilateral loans and other bank liabilities(4)	2.2	2.2
Existing Notes	327.0	—
Notes offered hereby(5)	—	450.0
Total debt	369.0	472.0
Total shareholders' equity(6)	198.8	175.1
Total capitalization	567.8	647.1

(1) Does not reflect a regular dividend in the amount of €17.9 million in respect of the financial year 2015 paid to our Parent on April 28, 2016.

(2) Actual amount as of March 31, 2016 represents €20 million in drawings under the Senior Revolving Credit Facility as of March 31, 2016. On April 29, 2016, we drew an additional €10 million under the Senior Revolving Credit Facility. We intend to repay all amounts owed under the Senior Revolving Credit Facility on the Issue Date as part of the Refinancing. On or prior to the Issue Date, we will further enter into an amendment agreement with regard to the Senior Revolving Credit Facility, which will become effective on the Redemption Date and, among other things, will increase the size of the Senior Revolving Credit Facility from currently €90 million to €125 million. For more detail about the Senior Revolving Credit Facility and the proposed amendment agreement, see "*Description of Other Indebtedness—Senior Revolving Credit Facility*". We expect the Senior Revolving Credit Facility to be undrawn as at the Issue Date, except with regard to €7.5 million in payment guarantees provided pursuant to an ancillary facility under the Senior Revolving Credit Facility.

(3) Warehouse Lease Arrangements consist of finance lease agreements with aggregrate lease payments of €19.8 million for the leasing of our high rack warehouses in Arnsberg, Giershagen and Mainz, as well as our block warehouse in Lille. For further information on these warehouse lease arrangements see "*Business—Warehouse Lease Arrangements*".

(4) Bilateral loans and other bank liabilities represent repayment and payment obligations under two separate loans of WEPA Kraftwerk GmbH, as borrower, from Volksbank Sauerland in the amount of €2.1 million and an amount of €0.1 million of other bank liabilities. For more detail about the bilateral loans, see "*Description of Other Indebtedness—Bilateral Loans*".

(5) The adjusted figure shows the expected aggregate principal amount of the Notes of €450.0 million.

(6) The adjusted figure disregard (deferred) tax effect of movements in retained earnings. The adjusted figure reflects the estimated fees and expenses payable in connection with the Refinancing in the amount of €6.0 million. It also reflects (i) an amount of €15.9 million of redemption premium payable to the holders of the Existing Notes on the Redemption Date under the conditions of issue of the Existing Notes and (ii) an estimated €1.7 million of accrued and unpaid interest payable to the holders of the Existing Notes on the Redemption Date with regard to the period from and including May 15, 2016, the next interest payment date for the Existing Notes, to but excluding the Redemption Date.

SELECTED FINANCIAL DATA

The financial information contained in the following tables is derived from the audited consolidated financial statements of the Issuer as of and for the fiscal years ended December 31, 2013, 2014 and 2015, and from the unaudited consolidated interim financial statements of the Issuer as of and for the three-month period ended March 31, 2016. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

The historical consolidated financial statements and the other historical consolidated financial information presented below have been prepared on the basis of German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS*".

In this offering memorandum, we present certain non-GAAP measures and ratios, including gross profit, EBITDA, EBIT, income/(loss) before tax, trade working capital, free cash flow, free cash flow available for debt service, adjusted free cash flow and pro forma data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operations, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including gross profit, EBITDA, EBIT, income/(loss) before tax, trade working capital, free cash flow, free cash flow available for debt service, adjusted free cash flow and pro forma data presented by us may not be comparable to similarly titled measures used by other companies.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial Information*", "*Use of Proceeds*", "Capitalization", and "*Management's Discussion and Analysis of Financial*

Condition and Results of Operations" and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum.

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31,
	2013	2014	2015	2015	2016	2016
	(audited unless otherwise indicated) (€ in thousands)			(unaudited) (€ in thousands)		(unaudited)
INCOME STATEMENT AND OTHER FINANCIAL DATA						
Sales revenues	854,840	858,311	924,877	223,024	238,705	940,558
Increase or decrease of inventory of finished and semi-finished products	914	6,671	1,016	2,873	8,394	6,538
Total Operating Performance(1)	**855,753**	**864,982**	**925,894**	**225,898**	**247,099**	**947,096**
Cost of materials	(518,604)	(507,989)	(535,995)	(131,144)	(141,911)	(546,763)
Gross Profit(2)	**337,149**	**356,993**	**389,899**	**94,754**	**105,188**	**400,333**
Other operating income/other internally produced and capitalized assets	11,278	24,601	22,436	2,949	3,226	22,713
Personnel expenses	(126,285)	(133,474)	(150,716)	(36,882)	(38,890)	(152,725)
Other operating expenses	(124,436)	(130,325)	(136,504)	(32,486)	(36,055)	(140,073)
EBITDA(3)	**97,706**	**117,795**	**125,114**	**28,335**	**33,470**	**130,249**
Amortization and depreciation	(33,102)	(32,282)	(39,642)	(8,299)	(9,729)	(41,073)
EBIT(4)	**64,604**	**85,513**	**85,472**	**20,036**	**23,741**	**89,176**
Extraordinary income/(expenses)(5)	(35,852)	(359)	—	—	—	—
Interest and similar income	207	5,327	15,053	1,310	978	14,721
Interest and similar expense	(26,767)	(40,762)	(28,563)	(6,649)	(7,015)	(28,928)
Income/(loss) before tax(6)	**2,192**	**49,719**	**71,962**	**14,697**	**17,705**	**74,969**
Taxes	(11,488)	(18,408)	(18,198)	(4,736)	(8,180)	(21,641)
Net income/(loss)	**(9,296)**	**31,311**	**53,765**	**9,961**	**9,525**	**53,328**

	As at December 31,			As at March 31,	
	2013	2014	2015	2015	2016
	(audited unless otherwise indicated) (€ in thousands)			(unaudited) (€ in thousands)	
BALANCE SHEET AND OTHER FINANCIAL DATA					
Cash and Cash equivalents	64,309	32,882	34,704	39,801	37,485
Trade Working Capital(7)	120,184	119,714	98,373	124,779	114,266
PPE(8)	311,513	362,510	460,312	419,609	462,533
Total Assets	**656,123**	**705,161**	**804,660**	**793,775**	**817,417**
Total Liabilities	**442,872**	**452,979**	**482,535**	**495,980**	**486,052**
Total Debt(9)	**353,899**	**354,514**	**370,501**	**371,931**	**369,025**
Net Total Debt(10)	**289,590**	**321,633**	**335,797**	**332,130**	**331,540**

	Year ended December 31, 2013	2014	2015	Three-month period ended March 31, 2015	2016	Twelve-month period ended March 31, 2016
	(audited unless otherwise indicated)			(unaudited)		(unaudited)
	(€ in thousands)			(€ in thousands)		
CASH FLOW AND OTHER DATA						
Net cash flow (used in)/from operating activities	72,470	98,936	104,507	20,174	23,118	107,451
Net cash flow (used in)/from investing activities	(49,524)	(97,101)	(90,409)	(34,797)	(17,881)	(73,493)
Free Cash Flow Available For Debt Service(11)	**22,947**	**1,835**	**14,097**	**(14,623)**	**5,237**	**33,958**
Adjusted Free Cash Flow(12)	**65,479**	**61,688**	**62,828**	**13,396**	**11,799**	**61,231**

(1) Total operating performance is calculated as the sum of gross sales revenues, sales revenues reductions (like bonuses or cash discounts to customers) and change in inventories.

(2) Gross profit (unaudited; not a German GAAP measure) is calculated by deducting cost of materials from total operating performance.

(3) EBITDA (unaudited; not a German GAAP measure) means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses.

(4) EBIT (unaudited; not a German GAAP measure) means EBITDA minus amortization and depreciation on intangible assets, property, plant and equipment.

(5) Extraordinary income/(expenses) relates to expenses related to refinancing as well as other extraordinary income/(expenses) as follows:

	Year ended December 31, 2013	2014	2015	Three-month period ended March 31, 2015	2016	Twelve-month period ended March 31, 2016
	(€ in thousands)			(€ in thousands)		(€ in thousands)
EXTRAORDINARY INCOME/(EXPENSES)						
Expenses Related to 2013 refinancing	(31,120)	—	—	—	—	—
thereof swap liquidation	*(15,342)*	—	—	—	—	—
thereof refinancing fees	*(7,628)*	—	—	—	—	—
thereof consulting	*(6,448)*	—	—	—	—	—
thereof other	*(1,702)*	—	—	—	—	—
Other extraordinary expenses	(7,271)	(359)	—	—	—	—
thereof restructuring consulting	*(4,868)*	—	—	—	—	—
thereof flood/fire damage	*(1,169)*	—	—	—	—	—
thereof others	*(1,234)*	*(359)*	—	—	—	—
Extraordinary expenses	**(38,391)**	**(359)**	—	—	—	—
Extraordinary income	**2,539**	—	—	—	—	—
Extraordinary income/(expenses)	**(35,852)**	**(359)**	—	—	—	—

(6) Income/(loss) before tax (unaudited; not a German GAAP measure) is calculated by adding income taxes back to net income/(loss).

(7) Trade Working Capital (unaudited; not German GAAP measure) we define as inventories plus trade receivables, minus trade payables.

Our calculation of Trade Working Capital can be reconciled to the balance sheet as follows:

	As at December 31,			As at March 31,	
	2013	2014	2015	2015	2016
	(€ in thousands)				
TRADE WORKING CAPITAL SPLIT					
Inventories	108,702	117,469	135,118	132,623	152,110
Trade receivables	72,867	71,776	51,496	75,776	55,389
Trade payables	(61,385)	(69,531)	(88,241)	(83,620)	(93,233)
Trade Working Capital	**120,184**	**119,714**	**98,373**	**124,779**	**114,226**

(8) PPE is defined as assets comprising of plant, property and equipment.

(9) Total Debt means liabilities owed to banks (including under our Warehouse Lease Agreements) plus the principal amount of the Existing Notes, but does not include any off-balance sheet liabilities under our ABS Program.

(10) Net Total Debt is calculated by deducting cash and cash equivalents from Total Debt.

(11) Free Cash Flow Available For Debt Service (unaudited; not a German GAAP measure) is defined as cash flow from operating activities minus cash flow from investing activities. For an alternative method for calculating Free Cash Flow Available For Debt Service, see also footnote (12) (c) below.

(12) We present Adjusted Free Cash Flow (unaudited; not a German GAAP measure) as a measure of normalized free cash flow which can be used to service debt.

Our calculations of Adjusted Free Cash Flow is as follows:

	Year ended December 31,			Three-month period ended March 31,		Twelve-month period ended March 31,
	2013	2014	2015	2015	2016	2016
	(€ in thousands)			(€ in thousands)		
ADJUSTED FREE CASH FLOW						
EBITDA	97,706	117,795	125,114	28,335	33,470	130,249
Change in Total Working Capital[a]	**(677)**	**(3,345)**	**11,290**	**(1,366)**	**(6,264)**	**6,392**
Income taxes paid	(11,634)	(3,735)	(16,279)	(5,852)	(1,850)	(12,277)
Expenses for/income from extraordinary items	(11,180)	(359)	—	—	—	—
Cash flows from investing activities	(49,524)	(97,101)	(90,409)	(34,797)	(17,881)	(73,493)
Other[b]	(1,745)	(11,421)	(15,619)	(943)	(2,238)	(16,914)
Free Cash Flow Available For Debt Service[c]	**22,947**	**1,835**	**14,097**	**(14,623)**	**5,237**	**33,958**
adding back Extraordinary income/(expenses)[d]	11,180	359	—	—	—	—
adding back selected key investments/divestments[e]	31,352	59,495	48,731	28,019	6,562	27,273
Adjusted Free Cash Flow	**65,479**	**61,688**	**62,828**	**13,396**	**11,799**	**61,231**

(a) Total Working Capital (unaudited; not a German GAAP measure) includes trade working capital, provisions, changes in other assets and changes in other liabilities.

(b) Other includes other non-cash income/(expenses), gains/(losses) on disposal of assets and other taxes. Other taxes includes, among other items, real estate taxes, energy taxes and insurance taxes.

(c) Free Cash Flow Available For Debt Service (unaudited; not a German GAAP measure) means EBITDA adjusted for the effects of changes in Total Working Capital, Extraordinary income/(expenses), Net cash flow (used in)/from investing activities and Other, minus Income taxes paid. For an alternative method for calculating Free Cash Flow Available For Debt Service, see also footnote (11) above.

(d) Extraordinary income/(expenses) comprise one-off income and expenses not related to our ordinary business. Extraordinary expenses mainly relate to the restructuring of our Italian business in 2013 as well as other extraordinary income (expense). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capitalization—Cash flows*".

(e) Selected key investments/divestments reflect net cash outflows from investment activities during each relevant period related to our acquisition of our former 22.3% stake in Marsberger Kraftwerk GmbH ("**MKG**"), our investments into the new converting lines in Kriebstein, Müschede and Piechowice, our acquisition of the operational co-generation power plant business from MKG, our acquisition of the land on which our converting facilities in Salanetti, Italy are located, our acquisition of Winfried Limited, our acquisition of the assets of the former Lucart plant in Troyes, France as well as our divestment of our former 49% stake in GC & WEPA S.L., in each case as described in more detail under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*".

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

The following is a discussion of the results of operations and financial condition of the Issuer as of and for the financial years ended December 31, 2013, 2014 and 2015 and as of and for the three-month period ended March 31, 2016.

Our consolidated financial statements included in this offering memorandum have been prepared in accordance with German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "—Summary of Significant Differences between German GAAP and IFRS". In this offering memorandum, the term "financial statements" refers to the audited consolidated financial statements and the notes thereto of the Issuer and its subsidiaries as of and for the fiscal years ended December 31, 2013, 2014 and 2015 and the unaudited interim consolidated financial statements and notes thereto of the Issuer and its subsidiaries as of and for the three-month period ended March 31, 2016. The audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft with respect to the consolidated financial statements as of and for the fiscal years ended December 31, 2013, 2014 and 2015 are included in this offering memorandum beginning on page F-11. Furthermore, we have included in this offering memorandum the unaudited interim consolidated financial statements of the Issuer as at and for the three-month period ended March 31, 2016.

The following discussion should be read in conjunction with our "Selected Financial Information" and audited and unaudited consolidated financial statements contained elsewhere in this offering memorandum. In addition, some of the information contained in this discussion, including information with respect to our plans and strategies for our business and our plans for future capital expenditures, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about us, including a discussion of certain factors that may adversely affect our business, results of operations and financial condition.

OVERVIEW

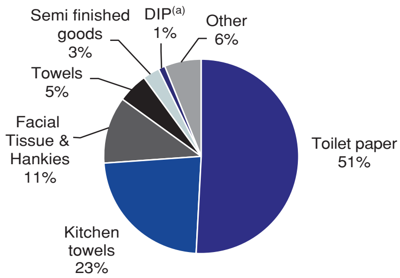
We are a leading, family-owned producer and supplier of tissue products in Europe with a market share (by production volumes) of approximately 25% in Germany and approximately 7% in Europe, according to "Outlook for World Tissue Business (10-Year Forecast) 2014-2015" published by RISI in July 2015 (the "**RISI Report**"). The tissue market exhibits resilient demand characteristics with low product substitution risk. We are the third largest producer of tissue products in Europe and we believe we are the second largest private label tissue producer in Europe, in both cases, by volume. Private label tissue products are marketed and sold by our customers through their retail stores under their own in-house labels. We believe private label products offer higher growth potential than branded products.

We are headquartered in Arnsberg, Germany, and operate 19 paper machines and 85 converting lines in eleven production sites strategically located across Europe in Germany, Italy, France, Poland and, through Northwood & WEPA (our joint venture with Northwood Paper), in the United Kingdom. Our annual tissue production capacity is 720,000 tons and our annual tissue converting capacity is 670,000 tons (in each case including Northwood & WEPA). Approximately 55% of our production and 46% of our converting capacity is located in Germany, our core market and Europe's largest tissue market. We also own technically advanced facilities for the production of de-inked pulp from recovered paper, with an annual capacity of more than 200,000 tons. In 2015, we sold more than 583,000 tons of finished tissue products, 25,000 tons of jumbo reels and 15,000 tons of de-inked pulp across Europe, which generated €924.9 million and €125.1 million of revenue and EBITDA, respectively. During the fiscal year ended December 31, 2015 we employed an average of 2,816 employees, excluding Northwood & WEPA and excluding GC & WEPA (our former joint venture with Goma Camps in Spain). In the three-month period ended March 31, 2016, we sold 148,000 tons of finished tissue products, 7,000 tons of jumbo reels and 2,000 tons of de-inked pulp across Europe, which generated approximately €238.7 million and €33.5 million of revenue and EBITDA, respectively. During the same period, we employed an average of 2,884 employees.

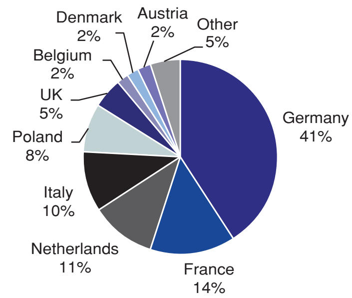
We offer a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels as well as semi-finished products (i.e. jumbo reels and de-inked pulp). Toilet paper and kitchen towels accounted for 74% of our revenues in 2015 and for 71% of revenues in the three-month period ended March 31, 2016.

Sales Breakdown2015

By Product

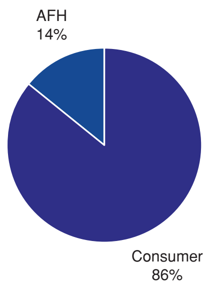


By Geography
(Finished products)

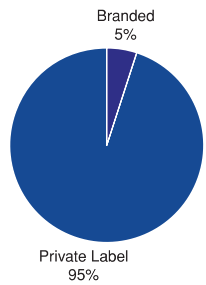


(a) DIP: De-inked pulp (recycled waste paper)

By Division
(Finished products)



Branded vs. Private Label
(Consumer division only)



We operate our business in two divisions, Consumer and Away-from-Home ("**AfH**"). Consumer, which represented 86.4% of our revenues from finished products in 2015 and 87.2% in the three-month period ended March 31, 2016, focuses on the German and the wider European retail sector. Consumer products are primarily branded under our customers' private labels and comprise mainly toilet paper, kitchen towels, facial tissues, handkerchiefs and napkins. The strategy of our Consumer division is to focus on the private label sector, although it also markets some products under its own brands such as Mach mit..., Comprami, Perla and Scala. AfH, which has a more regional focus within Central Europe and Poland, focuses on sales to large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. AfH offers a broad range of tissue products under our own "WEPA" brand and under our customers' brands, including toilet paper and paper towels, as well as dispenser systems for use in washrooms and cleaning.

Consumer and AfH together supply approximately 230 customers. Consumer serves most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, Netto, REWE and Rossmann in Germany, Carrefour, Casino, ITM and Leclerc in France, Coop and Eurospin in Italy, Biedronka in Poland and, through our UK joint venture Northwood & WEPA, Sainsbury and Tesco in the United Kingdom. AfH serves leading distributors in the professional hygiene sector, such as GVS and igefa in Germany, cash & carry wholesalers as well as distributors for office supplies. We have long-standing relationships with most of our key customers, some dating back more than 30 years.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Revenue Drivers

Our revenues are driven by demand from retailers (and their end customers) in our Consumer division and by specialist distributors and wholesalers (and their end customers) in our AfH division. Sales to our Consumer customers are driven by underlying demand for our products, which in recent years has grown steadily and independently from the overall economic environment. Sales to our AfH customers have some correlation to overall economic trends, although this is limited by our exposure to customers in the government, health care and educational sectors. The volumes we sell are determined by our relationships with our customers and competition from alternative suppliers, which has been stable in most of our core markets, as certain suppliers have exited the European market. Although new players could enter the market or existing players could add new capacity, given lead time requirements of 18 to 24 months, we believe we will have good visibility on any new capacity being added. A change to overall capacity levels could lead to a change in levels of competition, which would affect our results of operations.

In addition to general market factors, our revenues have also been, and will continue to be, affected by a number of investments we have made in recent years and by the additional capital expenditures we intend to incur in the short- to mid-term. See also "*—Expansion Projects and Investment Program*" below.

Exposure to Fluctuations in Pulp and Recovered Paper Prices

The main raw materials for the production of our products are pulp and recovered paper. Pulp is our largest and recovered paper our fourth largest purchasing cost item, accounting for 38.4% (€205.9 million) and 8.9% (€47.4 million), respectively, of our cost of materials in 2015. This compares to 35.3% (€179.3 million) and 9.4% (€48.0 million), respectively, of our cost of materials in 2014, and 37.1% (€192.4 million) and 8.9% (€46.0 million), respectively, of our cost of materials in 2013. In the three-month period ended March 31, 2016, pulp and recovered paper accounted for 43.6% (€61.8 million) and 8.3% (€11.8 million), respectively, of our cost of materials. The prices for our raw materials, especially pulp and recovered paper, are affected by various factors, in particular global supply and demand and economic conditions in other paper industry sectors, and can be highly volatile. The market development for both raw materials can be tracked through industry indices like the PIX for pulp (www.foex.fi) and Euwid for recovered paper. The PIX is a gross-price-benchmark index and published separately for the main grades NBSK (softwood) and BHKP (hardwood). It is also published both in U.S.$ and euros, although pulp prices are typically quoted in U.S.$ in the international markets and the euro value of the PIX therefore merely reflects the relevant U.S.$ value of the PIX, as converted into euros at the prevailing exchange rate. When we agree prices for pulp and recovered paper with our suppliers, we typically set the relevant prices by reference to a "rebate" from the relevant reference prices published by the PIX and Euwid, respectively. In order to maximize those rebates, we continuously try to further optimize our procurement processes and to fully leverage our purchasing power across the WEPA Group with our suppliers. See also "*—Continuous Improvement Process*" below.

WEPA typically uses a mix of approximately 30% softwood and 70% hardwood in its tissue production. While prices can be volatile and there have been periods of significant pulp price increases in the past, pulp prices (as quoted in U.S.$) have been relatively stable and have even declined slightly between 2013 and 2015. The average price per ton for pulp, based on PIX prices for a 30%/70% mix of softwood and hardwood pulp decreased slightly from U.S.$811 in 2013 to U.S.$ 799 in 2014, followed by a slight increase U.S.$806 in 2015. The equivalent prices per ton in Euro, the functional currency for the WEPA Group, also decreased slightly from €611 in 2013 to €602 in 2014, but increased significantly to €726 in 2015, primarily due to the significant increase in the exchange rate of the U.S.$ against the euro. During the same period, the average price per ton for the preferred recovered paper grade "Sorted Office Paper" (SOP) as reported by Euwid steadily increased from €126 in 2013 to €138 in 2014 and €158 in 2015.

Historically, we have only been partially successful in passing the full costs of increased raw material prices on to our customers. Since our customer contracts do not provide for automatic price adjustments, there is typically a time lag between the time of any increases in underlying raw material costs and the time at which we are able to renegotiate the prices our customers pay for our finished tissue products. Approximately 50% of our sales volumes are subject to framework agreements with our retail customers, which allow those customers to place orders "on demand" at prices that are fixed for the duration of the agreement, which is typically one year. Although these agreements generally do not contain minimum purchase obligations, we are in regular dialogue with our customers and have reasonable visibility over sales volumes for the upcoming year. The remainder of our sales volumes is pursuant to spot orders from regular customers which historically do not change significantly from year-to-year.

In order to limit our exposure to fluctuations in the price of pulp, our main raw material and largest purchasing cost item, we have developed a specific hedging strategy which involves a multistage process designed to separately address (i) fluctuations in the market price of pulp, as quoted in U.S. dollars as well as (ii) fluctuations in the exchange rate of the U.S. dollar against the euro, our reporting currency and the currency in which we generate most of our sales revenues.

Our Procurement department continuously monitors the market price development for pulp and, in close coordination with our Treasury department, typically tries to lock in pulp prices (as quoted in U.S. dollars) with regard to up to two thirds of our projected pulp requirements over a rolling 12 to 18-month period. We satisfy the balance of our pulp requirements through the spot market.

Our Treasury department separately hedges our projected Group-wide U.S. dollar requirements, which primarily relate to pulp purchases. Under the relevant internal Treasury guidelines, we try to lock in exchange rates with regard to our projected U.S. dollar requirements on a rolling basis through a variety of different hedging instruments, in particular through the use of forward contracts and options. In doing so, we take a staggered approach, pursuant to which we hedge approximately 70% of our projected U.S. dollar requirements over a rolling 12-month period. We hedge a lower percentage of our project U.S. dollar requirements for periods more than 12 months in the future. We satisfy the balance of our U.S. dollar requirements through the spot market.

Unlike for pulp, there are no derivative instruments available that would allow us to hedge our exposure to fluctuations in the prices of the recovered paper grades we require. The only way to lock in recovered paper prices is therefore via direct agreements with our recovered paper suppliers. However, it is rarely possible to lock in prices for longer than a 3-4 month period in this way.

Exposure to Fluctuations in Energy Prices

Our production processes, in particular the production of de-inked pulp and the operation of our paper machines, require large amounts of energy, including in the form of electricity, natural gas and steam. Energy expenses were our third largest procurement cost item in 2015 after the cost for pulp and freight costs and amounted to €74.3 million or 13.9% of our total cost of materials in 2015, €75.0 million or 14,8% in 2014, €84.7 million or 16.3% in 2013, and €18.9 million or 13.3% in the three-month period ended March 31, 2016.

The key drivers of our energy expenses are fluctuations of the market prices for energy, as well as regulatory decisions. Our energy expenses have generally decreased during recent years, primarily as a result of declining market prices for electricity and natural gas as well as our continuing efforts to optimize our energy consumption as part of our Continuous Improvement Process. See also "*—Continuous Improvement Process*" below. However, in particular in our core market of Germany, energy prices have been strongly impacted by regulatory decisions related to the so-called "energy revolution" (*Energiewende*). This revised energy policy focuses on promoting the development of renewable energy sources and contemplates the complete cessation of the production of nuclear power by 2021. Similar policies are being implemented in other European countries. To mitigate the impact of the significant upwards pressure on electricity prices for energy-intensive industries, the German Government (and several other national governments) adopted rules that provided for various businesses, including the WEPA Group, to be reimbursed for certain infrastructure investment surcharges necessary for the implementation of the "*Energiewende*". However, those rules have not only been subject to challenges in German courts and EU scrutiny as potentially illegal subsidies, but also continue to be the subject of political scrutiny by various interest groups. Although the relevant rules have been modified to address certain of these concerns, there is no guarantee that they will not change again or that we will continue to be able to benefit from current accommodations, reimbursement rules and/or energy tax refund schemes. See also "*Risk Factors—Risks related to our Business—If the cost of key raw materials and energy increases, we may not be able to pass these increased costs on to our customers*".

We attempt to limit our exposure to the volatility of electricity and gas prices by covering parts of our projected energy requirements through fixed future contracts. These contracts are entered into by different entities within the WEPA Group, mostly at the local level, and have varying durations. For Germany we typically try to lock in prices, on a rolling basis, for up to 60%, 40% and 20% of our projected energy requirements with regard to the following 12-month period (Y+1) and each of the subsequent two 12-month periods (Y+2 and Y+3), respectively, subject to developments in the spot market. In Italy, we are part of an industrial syndicate which manages energy supply issues and the related regulatory issues for its members. This includes locking in prices for a portion of projected energy requirements in coordination between all syndicate members subject to market price developments.

Exposure to Fluctuations in Freight/Logistics Costs

Our production operations require us to coordinate and monitor complex logistics processes between each step of our internal value chain and our production processes to ensure the efficient flow of materials and products. This includes the shipment of jumbo reels between production sites as well as the shipment of our finished products to our customers. We meet our freight and logistics requirements mainly through the use of external logistics companies. Due to the relatively large size and weight of our products compared to value, freight and logistics expenses play an important role in our business, and fluctuations in freight prices can have a significant impact on our profitability.

The continuous optimization of our logistics flows and freight costs has therefore been, and will continue to be a key focus supply of our investment program and our Continuous Improvement Process. See also "*—Expansion Projects and Investment Program*" and "*—Continuous Improvement Process*" below.

Exposure to Exchange Rate Fluctuations

Given the growing geographic spread of our operations, we are increasingly exposed to currency exchange rate fluctuations. Poland and the United Kingdom, in particular, do not use the euro as their national currency. For the first three months ended March 31, 2016, 6.4% and 0.2% of our total sales (which do not include sales revenues of our 50:50 UK joint venture Northwood & WEPA which are denominated in euro) derived from sales in Polish zloty and British pounds, respectively. As a result of our significant recent investments into a new paper machine and a new converting line in at our production site in Piechowice, Poland, we expect our exposure in Polish zloty, in particular, to increase further in the future. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" below. In addition, we currently finance several of our foreign subsidiaries, including our Polish subsidiary WEPA Professional Piechowice SA, through external borrowings in euro. Further, all of the sales revenues of Northwood & WEPA are derived from sales in British pounds, and earnings from our 50% stake in Northwood & WEPA contributed €6.3 million to our reported earnings from associated companies in 2015.

We regularly monitor the development of the exchange rates of the Polish zloty and the British pound against the euro, and we have started to implement certain risk management measures with regard to our related exchange rate risks. Because our exposure from exchange rate fluctuations related to GBP-denominated revenues is relatively low at the moment, we do not currently hedge our related exposure. However, we are also exposed to the more significant risk that changes in the exchange rate of the British pound against the euro could negatively impact the valuation of the financial asset represented by our stake Northwood & WEPA on our balance sheet. We currently already hedge a small portion of our exposure to exchange rate fluctuations between the euro and the Polish zloty and have started to gradually increase the portion of our PLN exposure we hedge, with the goal of ultimately hedging 50-70% of our exposure with regard to our projected PLN revenues over a rolling 12-month period. We do not currently hedge our exposure related to the PLN-denominated intra-group loans to our Polish subsidiary, but intend to regularly re-evaluate this policy based on an ongoing assessment of any further volatility in the exchange rate of the Polish zloty against euro.

Even if we do take further hedging measures in the future, there can be no guarantee that such measures will be effective. As a result, fluctuations in the value of the Polish zloty, the British pound or other local currencies against the euro have had, and may increasingly have in the future, a significant effect on our operations and on our reported results in euro, and the comparability of our performance between financial periods can be significantly affected by fluctuations in local currencies against the euro.

In addition, fluctuations in the exchange rate between the euro and the U.S. dollar can also have a significant impact on our profitability. While the prices of some of our raw materials such as pulp and oil (which affect our energy costs, freight costs and auxiliary costs such as packaging materials) are quoted in U.S. dollars in international markets, we primarily generate our sales revenues in euros. Therefore, a weakening of the U.S. dollar compared to the euro will generally have a positive impact on our results, while a strengthening of the U.S. dollar against the euro will generally have a negative impact on our results.

Assuming a hypothetical pulp price of U.S.$600 per ton and an exchange rate of U.S.$1.10 per €1.00, a fluctuation in the exchange rate of the U.S. dollar and the euro by U.S.$0.01 would result in a price increase or decrease of approximately €4.96 per ton of pulp. Given that we consumed approximately 420,000 tons of pulp in 2015, each U.S.$0.01 in exchange rate movement would have had an impact on our purchasing costs for pulp of approximately €2.08 million, assuming we had not hedged our exposure to exchange rate fluctuations.

Expansion Projects and Investment Program

In continuation of our strategy of maintaining our position as a leading tissue producer in Europe through continuous investment in our existing facilities, organic growth and selected acquisitions, we have made a number of profitability enhancing investments in recent years and intend to make additional capital expenditures in the short- to mid-term.

In the second quarter of 2013, the Issuer used €25.1 million in proceeds from the offering of the Existing Notes to subscribe for new shares in our affiliate Marsberger Kraftwerk GmbH ("**MKG**") representing a stake of 22.3% in MKG. On January 22, 2014, we entered into an agreement with MKG for the purchase of certain assets and liabilities comprising its operational co-generation power plant business in Giershagen, which allowed us to insource most of the energy supply for our plant in Giershagen, streamline our group structure and achieve higher operating flexibility. The purchase price we paid for this acquisition amounted to €13.6 million. The co-generation power plant is now being operated by WEPA Kraftwerk GmbH ("**WKG**") and is fully integrated in the WEPA Group. In 2015, the co-generation power plant in Giershagen supplied 41.5% of the electrical power and 100% of the production steam requirements for our local production site. In a separate, opportunistic transaction in late 2014 intended to save related rental payments, WEPA Italia S.r.l. also acquired the land on which our converting facilities in Salanetti, Italy are located. We were able to purchase the land from the bankrupt former owner Nuvolari in a public foreclosure auction at a total expense of €10.0 million.

In early 2014, we commenced construction for two new paper machines projects in Lille, France and Giershagen, Germany. We managed to complete both projects on schedule and successfully commenced operations of the new paper machine in Lille at the beginning of August 2015 and of the new paper machine in Giershagen at the end of October 2015. Our total investments into these two new paper machines in Lille and Giershagen amounted to €25.1 million and €25.0 million, respectively.The two new paper machines allowed us to insource additional paper capacity and thereby to both reduce purchases of jumbo reels from third-party suppliers and further optimize logistics flows and freight costs within our European network.

In the first quarter of 2014, we also acquired 100% of the share capital of Winfried Limited for a total consideration of €19.5 million. Winfried Limited holds a 50% stake in Northwood & WEPA, a 50:50 joint venture originally established in 2013 by members of the Krengel family (the owners of the WEPA Group) and members of the Fecher family (the owners of Northwood Paper) in the United Kingdom. The company acquired and now operates the former SCA paper mill in Bridgend/South-Wales (UK), with a production capacity of 52,000 tons and converting capacity of 80,000 tons per year. The mill produces private label toilet paper and kitchen towels for the UK and Irish markets. Our management believes that direct ownership of the 50% stake in Northwood & WEPA by the WEPA Group has put us in a better position to penetrate the UK and Irish markets, which we view as key potential growth markets for the WEPA Group.

Effective as of March 1, 2015, we acquired the assets of the fully-integrated former Lucart plant in Troyes, France, including approximately 160 employees. The total consideration for this acquisition amounted to €30.4 million, including €6.5 million in deferred purchase price payments we made in the first quarter of 2016. Established in 1999, this latest addition to our network of production sites comprises a paper machine (commissioned in 2002) with an annual production capacity of 32,000 tons of paper and seven converting lines which produce toilet paper, kitchen towels, handkerchiefs and facial tissue for a number of important European retailers. The acquisition of the facility in Troyes allowed us to significantly strengthen our market position in the French private label market, to further optimize logistics and freight costs and to further increase our production flexibility by significantly increasing our paper production and converting capacity in France.

In late 2015, we entered into agreements for the construction of yet another new and highly efficient tissue paper machine at our production site in Piechowice, Poland, and we also already made an initial down payment for this latest paper machine in 2015. We expect our total investments in connection with the construction of this additional paper machine to reach approximately €30 million, including certain payments we have already made. As with our investments in our new paper machines in Lille and Giershagen, we expect that the additional paper machine in Piechowice will allow us to reduce purchases of jumbo reels from third-party suppliers, to further optimize logistics flows and freight costs within our European network and to generally enhance our competitive position. As a result of the investment, we expect the number of our employees in Piechowice to rise from currently approximately 390 to more than 410. The new paper machine will have an annual production capacity of 32,000 tons, and we currently expect paper production to commence in the first quarter of 2017.

During 2013 and 2015, we have also already invested a total of €14.2 million in several new converting lines at our production sites in Kriebstein, Müschede and Piechowice, and we already placed orders for four additional converting lines at our production sites in Leuna, Troyes, Müschede and Kriebstein, representing a total expected investment of approximately €30 million, including certain payments we have already made. These additional converting lines are expected to commence operation in 2016 and early 2017 and will produce toilet paper, hand towels and facial tissues for both our Consumer and AfH businesses. We expect that the additional converting capacity will also give us increased production flexibility and allow us to further optimize logistics flows and freight costs.

Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH

On September 3, 2015, we sold our 49% stake in GC & WEPA S.L., our former joint venture in Spain, to our former joint venture partner Gomà Camps S.A.U. We made this decision based on our assessment of the Iberian market and to further focus our production capacities and optimize logistics flows and freight costs across our European network. In addition, we used to supply certain of our customers in Southern France through GC & WEPA. Following our acquisition of the production site in Troyes effective March 1, 2015, however, we are now supplying customers in Southern France directly from our production site in Troyes.

As discussed in more detail under "*—Expansion Projects and Investment Program*" above, we purchased the operational co-generation power plant business of MKG in an asset deal in January 2014. Following that transaction, MKG became a non-operating entity. The main asset of MKG consisted of a 32.0% stake in our parent company, WEPA Industrieholding SE ("**Parent**"). The Issuer, in turn, held a 22.3% stake in MKG, with the remaining membership interests held by members of the Krengel family. As a result of this legacy structure, every time the Issuer paid a dividend, approximately 7.1% (i.e. 22.3% of 32.0%) of that dividend would ultimately flow back to the Issuer via its stake in MKG. The ultimate outcome of a series of transactions we first reported in the second quarter of 2015 was the cancellation of the 22.3% stake in MKG held by the Issuer, which we had valued by an accounting firm at €28.9 million, in exchange for a direct claim against our Parent in the form of an interest-bearing loan over that same amount (the "**Parent Up-Stream Loan**"). The relevant transactions where entirely cash- and balance-sheet neutral for us (i.e. we swapped our former at-equity stake in MKG for a loan in the same amount to our Parent), but they allowed us to optimize our corporate structure and avoid "circular dividends" (and the related cash/tax leakage) in the future.

Our respective stakes in GC & WEPA and MKG accounted for €0.6 million and €2.4 million in earnings from associated companies in 2014. We did not record any earnings from associated companies with regard to either GC & WEPA or MKG, but recorded income from disposal of financial assets of €7.3 million in 2015 in connection with the sale of our stakes in GC & WEPA and MKG.

Continuous Improvement Process

The Continuous Improvement Process is a systematic and ongoing program intended to maintain our position as a cost leader in the tissue industry in Europe through continuous improvements to our profitability and cash position. As part of this Continuous Improvement Process, we are currently executing several specific initiatives focusing on portfolio optimization, production, supply chain, purchase optimization, general organization, and our operations in Italy, respectively.

As part of our Continuous Improvement Process, we are continuously working to further (i) optimize our customer and product mix by focusing on higher-margin customers and products, (ii) optimize our supply and delivery chains and generally improve efficiency, including through an improved allocation model for accepting and processing customer orders, increased standardization of our product offering and optimization of batch sizes to increase machine capacities, (iii) increase the efficiency of our production facilities through continuous modernization and capital investments and (iv) optimize our procurement processes, including by fully leveraging our purchasing power across the WEPA Group with our suppliers and by optimizing our supplier portfolio.

We have made significant progress in optimizing our customer and product portfolio. In 2012, we launched a program to optimize our contract portfolio by focusing on higher-margin customers and products. We established minimum gross profit margin requirements for different categories of customers, based on the importance of the relevant customers to the WEPA Group, both in terms of total sales volumes as well as strategic considerations. As a result, we (i) try to phase-out certain customers and products that do not meet the relevant minimum gross profit margin requirements; (ii) replace the resulting reduction in sales volumes with increased sales to pre-identified target customers with higher gross profit margins; and (iii) reduce overall complexity of our business through a reduction in the number of our customers and product families. These initiatives have led to improved profitability notwithstanding an initial negative effect on revenues. Since the beginning of the program in 2012, we have managed to replace more than 50,000 tons of private label sales volumes with higher margin sales.

In addition, we have also implemented a number of measures designed to optimize our supply and delivery chains and to generally improve the efficiency of our production process. To reduce our production and logistics costs, we use an advanced system of client and logistical mapping, which allows us to identify inefficiencies and areas for cost improvement. Many of the investments we have made in recent years address inefficiencies and potential areas for cost improvement we have identified in this way, including our investments in the two additional paper machines in Lille and Giershagen, which have already allowed us to reduce purchases of jumbo reels from third-party suppliers and to further optimize logistics flows and freight costs within our European network. Our past and proposed investments in additional converting lines as well as investments in new technology in our packaging areas and in logistic dispatch systems also allowed us to further reduce costs and improve efficiency. See also "—*Expansion Projects and Investment Program*" above.

To help us improve our cost efficiency, we have already significantly increased standardization of both semi-finished products (e.g. jumbo reels) and finished products (resulting in the reduction of waste when converting jumbo reels into finished products) and we continue to target further optimization of batch sizes (resulting in enhanced machine capacity due to reduced set-up times). We have already seen significant benefits from these measures in terms of reduced waste, enhanced machine capacity, reduced freight costs as well as a reduction of inventory levels and working capital requirements.

In an effort to generally reduce complexity and to further improve our operational flexibility and efficiency across the WEPA Group, we are in the process of analyzing all our processes with the goal of further optimizing them, including through increased standardization and automation. In addition, we continue to work intensively on continuous improvement activities covering different areas such as energy, procurement, portfolio optimization and supply chain.

KEY STATEMENT OF INCOME ITEMS

The following is a description of certain line items in our consolidated results of operations.

Sales revenues

Sales revenues include income derived from the sale of finished products both in our Consumer division and in our AfH division as well as income from the sale of semi-finished products such as jumbo reels and de-inked pulp. We report sales revenue as sales revenue Germany and foreign sales revenue, respectively, based on the invoicing entity within the WEPA Group. As a result, this geographic split does not reflect the location of our customers or the location of production. Sales revenues also include sales reductions like bonuses or cash discounts to customers.

Increase or decrease of inventory of finished and semi-finished products

Our increase or decrease of inventory of finished and semi-finished products records the change in stocks of finished and semi-finished products at manufacturing cost. The manufacturing costs include direct material and labor costs as well as material and production overheads allocated proportionally on the assumption of normal utilization of production capacity.

Other internally produced and capitalized assets

Other internally produced and capitalized assets relate to the Group-wide implementation of JD Edwards enterprise resource planning ("ERP") software. This takes into account all acquisition costs and costs of production that are to be capitalized and have been incurred as a result of the implementation of the software.

Other operating income

Other operating income consists of all income from ordinary business activities not already recognized under other income items. Other operating income includes, among other items, income from the liquidation of provisions, insurance refunds from damage events and income from disposal of assets. In addition, other operating income includes income from other periods, income from exchange rate differences and income from release of difference from capital consolidation. Other operating income also includes income from CO_2 certificates and scrap. Under EU regulations, we are required to purchase CO_2 certificates to be able to fully cover our energy consumption. To the extent we hold any excess CO_2 certificates, we sell those certificates and the proceeds from such sales are recorded as other operating income.

Costs of materials

The costs of materials consist of cost of raw materials, supplies and purchased goods such as pulp and recovered paper, costs of chemicals, costs for auxiliary material as well as pallet costs. It also includes third-party service costs (including energy used, cost of waste disposal and maintenance) and purchased goods.

Personnel expense

Personnel expense includes all expenses for wages and salaries (including bonuses) and other employment benefits, contributions to pension plans and social security contributions. Personnel costs also include the costs of redundancy and partial retirement agreements, other than extraordinary expenses related to the Restructuring, which we report as extraordinary income/(expenses).

Other operating expenses

Other operating expenses primarily include sales costs, expenses for external labor, expenses from allocations, expenses from exchange rate differences, expenses related to the establishment of provisions and expenses from other periods. Sales costs consist primarily of freight costs but also include other sales overheads, such as agency commissions and payments related to customer promotions.

Amortization and depreciation

We incur expense for amortization and depreciation of intangible assets and property, plant and equipment as a result of both scheduled depreciation and impairment losses on these assets. Amortization and depreciation are usually charged on a straight-line basis over the expected useful life of the assets.

Earnings from associated companies

Earnings from associated companies relate to (i) our 50% stake in Northwood & WEPA (ii) our former 49% stake in GC & WEPA and (iii) our former 22.3% stake in MKG. In 2014, we acquired 100% of the share capital of Winfried Limited, which holds a 50% stake in Northwood & WEPA, a 50:50 joint venture originally established by members of the Krengel family and members of the Fecher family in the United Kingdom. In September 2015, we sold our 49% stake in GC & WEPA S.L., our former joint venture in Spain, to our former joint venture partner Gomà Camps S.A.U. Earlier in 2015, our former 22.3% stake in MKG was cancelled in exchange for the Parent Up-Stream Loan. For more details about GC & WEPA and MKG and the divestment of our former stakes in each company, see "*—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*" above.

Interest income/(expenses), net

Interest income/(expenses), net includes income from loans under financial assets, other interest and similar income, interest and similar expenses as well as income from disposal of financial assets and amortization of financial assets. Interest and similar expenses primarily include interest expense and other financing costs related to the Existing Notes, long-term loans, short-term bank liabilities, bank and bank guarantee provisions and transaction costs for our ABS program.

Extraordinary income/(expenses)

Extraordinary income/(expenses) comprise one-off income and expenses not related to our ordinary business. The extraordinary expenses mainly relate to refinancing measures.

Taxes

Taxes comprise trade taxes, corporate taxes, foreign taxes, deferred taxes as well as other taxes, such as taxes on substance (mainly real estate taxes in France and Italy).

RESULTS OF OPERATIONS

Three-Month Period Ended March 31, 2016 Compared to Three-Month Period Ended March 31, 2015

The table below sets forth our results of operations for the three-month periods ended March 31, 2015 and March 31, 2016:

	Three-month period ended March 31,		
	2015	2016	Change
	(€ in thousands)		(%)
Sales revenues	223,024	238,705	7.0
Increase or decrease of inventory of finished and semi-finished products	2,873	8,394	192.2
Total operating performance	**225,898**	**247,099**	9.4
Other internally produced and capitalized assets	—	—	—
Other operating income	2,949	3,226	9.4
Cost of materials	(131,143)	(141,911)	8.2
Personnel expense	(36,882)	(38,890)	5.4
Other operating expenses	(32,486)	(36,055)	11.0
EBITDA(1)	**28,335**	**33,470**	18.1
Amortization and depreciation on intangible and tangible fixed assets	(8,298)	(9,729)	17.2
Earnings from associated companies	1,078	617	(42.8)
Income from loans under financial assets	86	210	144.2
Other interest and similar income	146	151	3.4
Interest and similar expenses	(6,649)	(7,015)	5.5
Compensation for outstanding profit-sharing rights	—	—	—
Earnings from ordinary activities	**14,697**	**17,705**	20.5
Extraordinary income	—	—	—
Extraordinary expenses	—	—	—
Extraordinary income/(expenses)	—	—	—
Income taxes	(3,728)	(5,833)	56.5
Other taxes	(1,008)	(2,347)	132.8
Net income/(loss)	**9,961**	**9,525**	(4.4)

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information".

Sales revenues

Total sales revenues increased by €15.7 million or 7.0%, from €223.0 million in the three-month period ended March 31, 2015 to €238.7 million in the three-month period ended March 31, 2016. This increase in total sales revenues was attributable to an increase in volumes of finished products from 141,000 tons in the three-month period ended March 31, 2015 to 148,000 tons in the three-month period ended March 31, 2016, mainly as a result of our acquisition of the production site in Troyes, France effective March 1, 2015 as described under *"—Key Factors Affecting Our Results of Operations—Expansion Projects and Investment Program"* above. Sales prices for our finished products also increased in the three-month period ended March 31, 2016 compared to the prior year period. External sales of semi-finished products decreased by 4,000 tons from 13,000 tons in the three-month period ended March 31, 2015 to 9,000 tons in the three-month period ended March 31, 2016, because of higher internal requirements of semi-finished products due to the increase in our own production of finished products.

The following table sets forth our sales revenues by geographic markets:

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2016	Change
	(€ in thousands)		(%)
Sales revenues Germany	94,882	98,259	3.6
Foreign sales revenues	128,142	140,446	9.6
Total sales revenues	**223,024**	**238,705**	7.0

In the three-month period ended March 31, 2016, sales revenues in Germany accounted for 41.2% of total sales revenues compared to 42.5% of total sales revenues in the three-month period ended March 31, 2015. Sales revenues in Germany increased by €3.4 million or 3.6%, from €94.9 million in the three-month period ended March 31, 2015 to €98.3 million in the three-month period ended March 31, 2016. In addition, foreign sales revenues increased by €12.3 million or 9.6%, from €128.1 million in the three-month period ended March 31, 2015 to €140.4 million in the three-month period ended March 31, 2016, primarily due to the acquisition of the production site in Troyes, France, resulting in an increase in total sales revenues in the three-month period ended March 31, 2016 of €15.7 million or 7.0%, from €223.0 million in the three-month period ended March 31, 2015 to €238.7 million in the three-month period ended March 31, 2016.

Increase or decrease of inventory of finished and semi-finished products

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2016	Change
	(€ in thousands)		(%)
Semi-finished products	(3,152)	311	(109.9)
Finished products	6,026	8,083	34.1
Total	**2,873**	**8,394**	192.2

Our inventory of finished and semi-finished products increased by €8.4 million in the three-month period ended March 31, 2016 compared to an increase of €2.9 million in the three-month period ended March 31, 2015. Our inventory levels are generally influenced by both short-term factors, such as seasonal fluctuations and inventory management measures taken by our key customers, and long-term factors, such as increases or decrease in sales revenues as well as expansion projects and our investment program, including the acquisition of the production site in Troyes.

Other operating income

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2016	Change
	(€ in thousands)		(%)
Income from other periods from the capitalization of spare parts inventories	—	—	—
Liquidation of provisions	669	411	(38.6)
Income from insurance refunds from damage events	25	4	(84.0)
Refund of energy costs	123	126	2.4
Income from disposal of assets	221	—	—
Exchange rate difference	471	697	48.0
Income from services	587	—	—
Income from release of difference from capital consolidation	(4)	542	—
Reimbursement of other social security benefits	99	—	—
Income from CO_2 certificates and scrap	123	—	—
Income from reduction of bad debt allowance	(235)	207	—
Other income	870	1,238	42.3
Other operating income	**2,949**	**3,226**	9.4

Other operating income increased by €0.3 million or 9.4% from €2.9 million in the three-month period ended March 31, 2015 to €3.2 million in the three-month period ended March 31, 2016, primarily due to (i) €0.5 million in income from release of difference from capital consolidation in the three-month period ended March 31, 2016 mainly related to our acquisition of WEPA Troyes SAS, (ii) a €0.4 million improvement in income from reduction of bad debt allowance and (iii) a €0.4 million increase of other income from €0.9 million in the three-month period ended March 31, 2015 to €1.2 million in the three-month period ended March 31, 2016, primarily driven by subsidies for our new paper machine in Lille. In addition, income from exchange rate differences increased by €0.2 million or 48.0%, from €0.5 million in the three-month period ended March 31, 2015 to €0.7 million in the three-month period ended March 31, 2016, primarily due to a higher volatility of the exchange rate of the Polish zloty against the euro.

These increases were partly offset by (i) a decrease in income from services from €0.6 million to nil due to a reclassification of income from services to sales revenues, (ii) a €0.3 million decrease in liquidation of provisions from €0.7 million to €0.4 million as well as (iii) a decrease from income from disposal of assets by €0.2 million, from €0.2 million in the three-month period ended March 31, 2015 to nil in the three-month period ended March 31, 2016 as there was no asset disposal in this period.

Cost of materials

	Three-month period ended March 31,		
	2015	**2016**	**Change**
	(€ in thousands)		**(%)**
Cost of raw materials, supplies and purchased goods	(101,962)	(114,255)	12.1
Third-party service costs	(29,182)	(27,656)	(5.2)
Cost of materials	**(131,143)**	**(141,911)**	8.2

Cost of materials increased by €10.8 million or 8.2% from €131.1 million in the three-month period ended March 31, 2015 (58.8% of revenues or 58.1% of total operating performance) to €141.9 million in the three-month period ended March 31, 2016 (59.5% of revenues or 57.4% of total operating performance). This increase was primarily the result of a 12.1% increase in the cost of raw materials, supplies and purchased goods due to the increase in production volumes in the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015 following our acquisition of the production site in Troyes, France. As a percentage of our total operating performance, cost of materials decreased by 0.6 percentage points, as increases in the sales prices for our finished product in the three-month period ended March 31, 2016 as well as a 5.2% decrease in third-party costs more than off-set increases in the average price per ton for both pulp and recovered paper. The average pulp price per ton we paid in the three-month period ended March 31, 2016 increased by 12.8%, from €457 in the three-month period ended March 31, 2015 to €515 in the three-month period ended March 31, 2016, mainly due to market price increases and hedging effects, resulting in increasing costs of €5.6 million, while the average price for recovered paper increased by 4.5% from €158 per ton in the three-month period ended March 31, 2015 to €165 per ton in the three-month period ended March 31, 2016, due to lower availability of recovered paper, resulting in increasing costs of €0.6 million in the three-month period ended March 31, 2016. See also *"—Key Factors Affecting Our Results of Operations—Exposure to Fluctuations in Pulp and Recovered Paper Prices*".

In the three-month period ended March 31, 2016, our consumption of pulp increased by 22,000 tons compared to the three-month period ended March 31, 2015, primarily due to the start of operations of our two new paper machines in Lille and Giershagen at the beginning of August and at the end of October in 2015, respectively as well as additional consumption of the paper machine at the production site in Troyes, which we acquired effective March 1, 2015. This resulted in increased pulp costs of €9.8 million in the three-month period ended March 31, 2016. These increases were partially offset by a decrease in our consumption of recovered paper by 8,000 tons, resulting in lower recovered paper costs of €1.3 million, due to a shift in our product mix towards pulp and hybrid products. The two new paper machines also allowed us to insource additional paper capacity and thereby reduce purchases of jumbo reels from third-party suppliers. See also *"—Key Factors Affecting Our Results of Operations—Expansion Projects and Investment Program"*.

Third-party service costs decreased by €1.5 million or 5.2% in the three-month period ended March 31, 2016, primarily due to a decrease in our energy expenses by €1.9 million or 9.3%, from €20.8 million in the three-month period ended March 31, 2015 to €18.9 million in the three-month period ended March 31, 2016, as a result of market price decreases as well as our continuing efforts to optimize our energy consumption as part of our Continuous Improvement Process. This decrease was partly offset by an increase in maintenance expenses by €1.3 million, from €6.2 million in the three-month period ended March 31, 2015 to €7.6 million in the three-month period ended March 31, 2016, primarily due to additional maintenance activity at the new production site in Troyes, France.

Personnel expense

	Three-month period ended March 31,		
	2015	2016	Change
	(€ in thousands)		(%)
Salaries and wages	(29,888)	(31,377)	5.0
Social security contributions and retirements and assistance costs	(6,993)	(7,513)	7.4
—of which for retirement costs:	(19)	102	—
Personnel expense	**(36,882)**	**(38,890)**	5.4

Personnel expense in the three-month period ended March 31, 2016 increased by €2.0 million or 5.4%, from €36.9 million in the three-month period ended March 31, 2015 to €38.9 million in the three-month period ended March 31, 2016, reflecting a €1.5 million or 5.0% increase in salaries and wages and an increase of €0.5 million or 7.4% in social security contributions and retirement and assistance costs. This increase was primarily due to the addition of personnel expenses for our new employees at the production site in Troyes, general wage increases under collective bargaining agreements, the costs of additional shifts at some of our production sites, the hiring of additional employees to operate our two new paper machines in Lille and Giershagen as well as higher expenses for personnel development. Salaries and wages increased by 5.0% in the three-month period ended March 31, 2016 compared to an increase of 6.0% in the average number of employees from 2,722 employees in the three-month period ended March 31, 2015 to 2,884 employees in the three-month period ended March 31, 2016.

	Three-month period ended March 31,		
	2015	2016	Change
			(%)
Factory workers	2,128	2,242	5.4
Administrative employees	594	642	8.1
Average number of employees	**2,722**	**2,884**	6.0

Both the number of factory workers and the number of administrative employees increased by 5.4% and 8.1%, respectively from 2,128 and 594 in the three-month period ended March 31, 2015 to 2,242 and 642 in the three-month period ended March 31, 2016, mainly due to our new employees at the production site in Troyes as well as the hiring of additional employees to operate our two new paper machines in Lille and Giershagen.

Other operating expenses

	Three-month period ended March 31,		
	2015	2016	Change
	(€ in thousands)		(%)
Sales costs	(16,860)	(17,728)	5.1
External labor	(5,509)	(7,750)	40.7
Expenses from allocations	(2,199)	(2,250)	2.3
Expenses from exchange rate differences	(273)	(997)	—
Expenses from other periods	(171)	(503)	—
Leasing expenses	(1,185)	(1,074)	(9.4)
Expenses for consulting services	(765)	(794)	3.8
Insurance premiums	(689)	(592)	(14.1)
Administrative and operating expenses	(490)	(372)	(24.1)
Repairs and spare parts	(883)	(734)	(16.9)
Travel and out-of-pocket expenses	(322)	(392)	21.7
IT expenses	(634)	(839)	32.3
Loss of receivables	(130)	(156)	20.0
Costs related to car pool	(525)	(445)	(15.2)
Expenses from disposal of fixed assets	(1,006)	(53)	(94.7)
Others	(845)	(1,377)	63.0
Other operating expenses	**(32,486)**	**(36,055)**	11.0

Other operating expenses increased by €3.6 million or 11.0%, from €32.5 million in the three-month period ended March 31, 2015 to €36.1 million in the three-month period ended March 31, 2016, primarily due to additional other operating expenses for the newly acquired site in Troyes, France. External labor increased by €2.2 million or 40.7%, from €5.5 million in the three-month period ended March 31, 2015 to €7.7 million in the three-month period ended March 31, 2016 driven by a high rate of temporary employees in the acquired site in Troyes, France. Sales costs also increased by €0.9 million or 5.1% (compared to an increase in sales revenues by 7.0%), from €16.9 million in the three-month period ended March 31, 2015 to €17.7 million in the three-month period ended March 31, 2016 and expenses from exchange rate differences increased by €0.7 million, from expenses of €0.3 million in the three-month period ended March 31, 2015 to expenses of €1.0 million in the three-month period ended March 31, 2016, primarily due to a higher volatility of the exchange rate of the Polish zloty against the euro. Furthermore, expenses from other periods increased from €0.2 million in the three-month period ended March 31, 2015 to €0.5 million in the three-month period ended March 31, 2016, mainly caused by bonuses from suppliers, and "others" also increased by €0.5 million, from €0.8 million in the three-month period ended March 31, 2015 to €1.4 million in the three-month period ended March 31, 2016, due to expenses in connection with the termination of our former framework agreement with Fritz Schur Consumer Products A/S as described in more detail under "*Certain Relationships and Related Party Transactions—Other Agreements with Affiliated Parties—Framework Agreement with Fritz Schur Consumer Products A/S*". IT expenses increased by €0.2 million, from €0.6 million in the three-month period ended March 31, 2015 to €0.8 million in the three-month period ended March 31, 2016, mainly due to additional IT expenses for the new site in Troyes.

These increases in other operating expenses were partially offset by a €1.0 million or 94.7% decrease in expenses from disposal of fixed assets, from €1.0 million in the three-month period ended March 31, 2015 to €0.1 million in the three-month period ended March 31, 2016. In addition, expenses for repairs and spare parts decreased by €0.1 million or 16.9% from €0.9 million in the three-month period ended March 31, 2015 to €0.7 million in the three-month period ended March 31, 2016. There were also small decreases of €0.1 million in both insurance premiums and administrative and operating expenses.

EBITDA

	Three-month period ended March 31, 2015	2016	Change
	(€ in thousands)		(%)
EBITDA[(1)]	28,335	33,470	18.1

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information".

Our EBITDA increased by €5.1 million or 18.1%, from €28.3 million in the three-month period ended March 31, 2015 to €33.5 million in the three-month period ended March 31, 2016, as a result of the factors described above.

Amortization and depreciation

	Three-month period ended March 31, 2015	2016	Change
	(€ in thousands)		(%)
Amortization on intangible assets	(820)	(906)	10.5
Depreciation on tangible assets	(7,479)	(8,823)	18.0
Total amortization and depreciation	**(8,298)**	**(9,729)**	17.2

Amortization and depreciation expenses increased by €1.4 million or 17.2%, from €8.3 million in the three-month period ended March 31, 2015 to €9.7 million in the three-month period ended March 31, 2016. This increase is primarily the result of higher depreciation charges on tangible assets, up from €7.5 million in the three-month period ended March 31, 2015 to €8.8 million in the three-month period ended March 31, 2016, primarily because we began recording depreciation charges with regard to the assets at the production site in Troyes we acquired effective March 1, 2015 and with regard to our two new paper machines in Lille and Giershagen, which commenced operations at the beginning of August and at the end of October 2015, respectively. Amortization and depreciation expenses consisted of standard depreciation pursuant to German GAAP, and no specific impairments were otherwise incurred.

Earnings from associated companies

	Three-month period ended March 31, 2015	2016	Change
	(€ in thousands)		(%)
Earnings from associated companies	1,078	617	(42.8)

Earnings from associated companies decreased by €0.5 million or 42.8% in the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015, due to a €0.4 million decrease in our income from our UK joint venture Northwood & Wepa due to both lower operating performance as well as a weakening of the exchange rate of the British pound against euro. In addition, the proportionate result from our former 49% stake in GC & WEPA decreased from €0.1 million to nil as we sold our shares in 2015. For more detail, see "*—Key Factors Affecting Our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*".

Interest income/(expenses), net

	Three-month period ended March 31, 2015	2016	Change
	(€ in thousands)		(%)
Income from loans under financial assets	86	210	—
Other interest and similar income	146	151	3.4
Interest and similar expenses	(6,649)	(7,015)	5.5
Compensation for outstanding profit-sharing rights	—	—	—
Interest income/(expenses), net	**(6,417)**	**(6,654)**	3.7

Our interest income/(expenses), net increased slightly by €0.2 million or 3.7%, from net expenses of €6.4 million in the three-month period ended March 31, 2015 to net expenses of €6.7 million in the three-month period ended March 31, 2016. This increase is due to a € 0.4 million or 5.5% increase in interest and similar expenses, from €6.6 million in the three-month period ended March 31, 2015 to €7.0 million in the three-month period ended March 31, 2016, primarily due to interest expenses for findings from tax audit. Interest and similar expenses in the three-month period ended March 31, 2016 included €5.7 million of interest expenses for long-term loans, €0.1 million interest and similar expenses for short-term bank liabilities, €0.3 million of provisions for banking services and bank guarantees and €0.2 million of transaction costs for factoring arrangements.

The increase of interests and similar expenses was partly offset by a €0.1 million increase in income from loans under financial assets, from €0.1 million in the three-month period ended March 31, 2015 to €0.2 million in the three-month period ended March 31, 2016, primarily due to interest income under the Parent Up-Stream Loan we extended to our Parent in connection with the divestment of our former stake in Marsberger Kraftwerk GmbH as described in more detail in *"—Key Factors Affecting Our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH"*.

Taxes

	Three-month period ended March 31, 2015	2016	Change
	(€ in thousands)		(%)
Trade taxes	(1,502)	(3,276)	118.1
Corporate taxes	(1,776)	(2,227)	25.4
Foreign taxes	178	(93)	—
Deferred taxes	(629)	(237)	(62.3)
Income taxes	**(3,728)**	**(5,833)**	56.5
Other taxes	(1,008)	(2,347)	132.8
Total taxes	**(4,736)**	**(8,180)**	72.7

Total taxes increased by €3.4 million or 72.7%, from €4.7 million in the three-month period ended March 31, 2015 to €8.2 million in the three-month period ended March 31, 2016, primarily as a result of increased income taxes. Income taxes increased by €2.1 million or 56.5%, from €3.7 million in the three-month period ended March 31, 2015 to €5.8 million in the three-month period ended March 31, 2016, primarily due to an increase of trade taxes of €1.8 million as well as an increase of corporate taxes by €0.5 million, both driven by higher income before tax and by a tax provision for findings from tax audit. In addition, other taxes increased by €1.3 million, from €1.0 million in the three-month period ended March 31, 2015 to €2.3 million in the three-month period ended March 31, 2016, mainly caused by additional real estate taxes for the new site in Troyes as well as a reclassification of energy taxes.

Net income/(loss)

	Three-month period ended March 31,		
	2015	2016	Change
	(€ in thousands)		(%)
Net income/(loss)	9,961	9,525	(4.4)

Net income/(losses) decreased slightly by €0.4 million in the three-month period ended March 31, 2016, from a net income of €10.0 million in the three-month period ended March 31, 2015 to a net income of €9.5 million in the three-month period ended March 31, 2016, as a result of the factors described above.

Financial Year Ended December 31, 2015 Compared to Financial Year Ended December 31, 2014

The table below sets forth our results of operations for the financial years ended December 31, 2014 and December 31, 2015:

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Sales revenues	858,311	924,877	7.8
Increase or decrease of inventory of finished and semi-finished products	6,671	1,016	(84.8)
Total operating performance	**864,982**	**925,894**	7.0
Other internally produced and capitalized assets	21	—	(100.0)
Other operating income	24,580	22,436	(8.7)
Cost of materials	(507,989)	(535,995)	5.5
Personnel expense	(133,474)	(150,716)	12.9
Other operating expenses	(130,325)	(136,504)	4.7
EBITDA[(1)]	**117,795**	**125,114**	6.2
Amortization and depreciation on intangible and tangible fixed assets	(32,282)	(39,642)	22.8
Earnings from associated companies	3,891	6,284	61.5
Income from loans under financial assets	291	705	142.3
Other interest and similar income	1,144	8,065	605
Interest and similar expenses	(40,762)	(28,563)	(29.9)
Compensation for outstanding profit-sharing rights	—	—	—
Earnings from ordinary activities	**50,078**	**71,962**	43.7
Extraordinary income	—	—	—
Extraordinary expenses	(359)	—	(100.0)
Extraordinary income/(expenses)	(359)	—	(100.0)
Income taxes	(14,642)	(11,054)	(24.5)
Other taxes	(3,766)	(7,144)	89.7
Net income/(loss)	**31,311**	**53,765**	71.7

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information".

Sales revenues

Total sales revenues increased by €66.6 million or 7.8%, from €858.3 million in 2014 to €924.9 million in 2015. This increase in total sales revenues was attributable to a 7.9% increase in volumes of finished products from 541,000 tons in 2014 to 583,000 tons in 2015, mainly as a result of our acquisition of the production site in Troyes, France effective March 1, 2015 as described under "*—Key Factors Affecting Our Results of Operations—Expansion Projects and Investment Program*" above. Sales prices for our finished products also increased in the second half of 2015. External sales of semi-finished products fell by 15,000 tons from 56,000 tons in 2014 to 41,000 tons in 2015, because of higher internal requirements due to the increase in our own production of finished products.

The following table sets forth our sales revenues by geographic markets:

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Sales revenues Germany	365,929	378,511	3.4
Foreign sales revenues	492,382	546,366	11.0
Total sales revenues	**858,311**	**924,877**	7.8

In 2015, sales revenues in Germany accounted for 40.9% of total sales revenue compared to 42.6% of total sales revenues in 2014. Sales revenues in Germany increased by €12.6 million or 3.4%, from €365.9 million in 2014 to €378.5 million in 2015, while foreign sales revenue increased by €54.0 million or 11.0%, from €492.4 million in 2014 to €546.4 million in 2015 primarily due to the acquisition of the production site in Troyes, France, resulting in an increase in total sales revenues in 2015 of €66.6 million or 7.8% compared to 2014.

Increase or decrease of inventory of finished and semi-finished products

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Semi-finished products	(818)	1,384	(269.2)
Finished products	7,489	(368)	(104.9)
Total	**6,671**	**1,016**	(84.8)

Our inventory of finished and semi-finished products increased by €1.0 million in 2015, compared to an increase of €6.7 million in 2014. Our inventory levels are generally influenced by both short-term factors, such as seasonal fluctuations and inventory management measures taken by our key customers, and long-term factors, such as increases or decrease in sales revenues as well as expansion projects and our investment program, including the acquisition of the production site in Troyes.

Other operating income

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Income from other periods	1,510	1,994	32.1
Liquidation of provisions	2,104	3,755	78.5
Income from insurance refunds from damage events	1,165	267	(77.1)
Refund of energy costs	2,777	3,377	21.6
Income from disposal of assets	783	185	(76.4)
Exchange rate difference	354	2,117	498.0
Income from services	941	758	(19.4)
Income from release of difference from capital consolidation	7,858	4,041	(48.6)
Reimbursement of other social security benefits	396	400	1.0
Income from CO_2 certificates and scrap	1,640	423	(74.2)
Income from reduction of bad debt allowance	442	410	(7.2)
Income from findings tax audit	2,882	1,326	(54)
Other income	1,729	3,382	95.6
Other operating income	**24,580**	**22,436**	(8.7)

Other operating income decreased by €2.1 million or 8.7% from €24.6 million in 2014 to €22.4 million in 2015, primarily due to (i) a decrease of €3.8 million or 48.6%, from €7.9 million in 2014 to €4.0 million in

2015, in income from release of difference from capital consolidation mainly due to a non-recurring income of €7.5 million from the release of difference from capital consolidation of Winfried Limited in connection with the acquisition of our 50% stake in our UK joint venture Northwood & WEPA Ltd. in 2014, (ii) a €1.6 million or 54.0% decrease in income from findings tax audit as well as (iii) a €1.2 million or 74.2% decrease in income from the CO_2 certificates and scrap, from €1.6 million in 2014 to €0.4 million in 2015. Income from insurance refunds from damage events also decreased by €0.9 million, from €1.2 million in 2014 to €0.3 million in 2015.

These decreases more than off-set (i) an increase of €1.8 million in income from exchange rate differences, from €0.4 million in 2014 to €2.1 million in 2015, primarily related to realized and unrealized gains from transactions in GBP and PLN (ii) an increase in other income by €1.7 million, from €1.7 million in 2014 to €3.4 million in 2015, mainly related to subsidies we received for our new paper machine in Lille and (iii) an increase of €1.7 million in income from the release of provisions, from €2.1 million in 2014 to €3.8 million in 2015, mainly related to the release of provision for sales reductions and the release of provisions for legal proceedings. Refunds from energy costs also increased by €0.6 million, from €2.8 million in 2014 to €3.4 million in 2015.

Cost of materials

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Cost of raw materials, supplies and purchased goods	(393,247)	(423,349)	7.7
Third-party service costs	(114,742)	(112,646)	(1.8)
Cost of materials	**(507,989)**	**(535,995)**	5.5

Cost of materials increased by €28.0 million or 5.5%, from €508.0 million in 2014 (59.2% of revenues, or 58.7% of total operating performance) to €536.0 million in 2015 (58.0% of revenues, or 57.9% of total operating performance). This increase was primarily the result of a 7.7% increase in the cost of raw materials, supplies and purchased goods due to the 7.9% increase in volumes of finished products in 2015 compared to 2014 following our acquisition of the production site in Troyes, France. As a percentage of our total operating performance, cost of materials decreased by 0.8 percentage points, as increases in the sales prices for our finished product in the second half of 2015 as well as a 1.8% decrease in third-party costs more than off-set increases in the average price per ton for both pulp and recovered paper. The average pulp price per ton we paid in 2015 increased by 2.1%, from €471 in 2014 to €481 in 2015, mainly due to a stronger U.S.$, resulting in increasing costs of €3.6 million, while the average price for recovered paper increased by 6.5% from €153 per ton in 2014 to €163 per ton in 2015, due to lower availability of recovered paper, resulting in increasing costs of €3.0 million in 2015. See also "*—Key Factors Affecting Our Results of Operations—Exposure to Fluctuations in Pulp and Recovered Paper Prices*".

In 2015, our consumption of pulp increased by 48,000 tons compared to 2014, primarily due to the start of operations of our two new paper machines in Lille and Giershagen at the beginning of August and at the end of October 2015, respectively as well as additional consumption of the paper machine at the production site in Troyes, which we acquired effective March 1, 2015. This resulted in increased pulp costs of €22.6 million in 2015. These increases were partially offset by an decrease in our consumption of recovered paper by 20,000 tons, resulting in lower recovered paper costs of €3.1 million, due to a shift in our product mix towards pulp and hybrid products. The two new paper machines also allowed us to insource additional paper capacity and thereby reduce purchases of jumbo reels from third-party suppliers. See also "*—Key Factors Affecting Our Results of Operations—Expansion Projects and Investment Program*".

Third-party service costs decreased by €2.1 million or 1.8% in 2015, primarily due to a decrease in our energy expenses by €0.7 million or 1.0%, from €75.0 million in 2014 to €74.3 million in 2015, as a result of market price decreases as well as our continuing efforts to optimize our energy consumption as part of our Continuous Improvement Process. In addition, maintenance expenses decreased by €0.6 million, from €29.9 million in 2014 to €29.3 million in 2015, due to slightly lower measures on maintenance.

Personnel expense

	Year ended December 31, 2014	2015	Change
	(€ in thousands)		(%)
Salaries and wages	(107,840)	(120,711)	11.9
Social security contributions and retirements and assistance costs	(25,634)	(30,005)	17.1
—of which for retirement costs:	(519)	(535)	3.1
Personnel expense	**(133,474)**	**(150,716)**	12.9

Personnel expense in 2015 increased by €17.2 million or 12.9%, from €133.5 million in 2014 to €150.7 million in 2015, reflecting a €12.9 million or 11.9% increase in salaries and wages and a €4.4 million increase in social security contributions and retirement and assistance costs. Salaries and wages increased by 11.9% in 2015 compared to an increase of 7.5% in the average number of employees to 2,816 employees in 2015 from 2,620 employees in 2014. The increase was primarily due to the addition of personnel expenses for our new employees at the production site in Troyes, general wage increases under collective bargaining agreements, the costs of additional shifts at some of our production sites, the hiring of additional employees to operate our two new paper machines in Lille and Giershagen as well as higher expenses for personnel development.

	Year ended December 31, 2014	2015	Change
			(%)
Factory workers	2,037	2,200	8.0
Administrative employees	583	617	5.8
Average number of employees	**2,620**	**2,816**	7.5

The number of factory workers increased by 163 or 8.0% from 2,037 in 2014 to 2,200 in 2015, mainly due to our new employees at the production site in Troyes as well as the hiring of additional employees to operate our two new paper machines in Lille and Giershagen. The number of administrative employees increased by 34 or 5.8%, from 583 in 2014 to 617 in 2015, as a result of the acquisition of the production site in Troyes.

Other operating expenses

	Year ended December 31, 2014	2015	Change
	(€ in thousands)		(%)
Sales costs	(69,274)	(71,711)	3.5
External labor	(21,071)	(27,249)	29.3
Expenses from allocations	(5,718)	(5,558)	(2.8)
Expenses from exchange rate differences	(1,061)	(1,323)	24.7
Expenses from other periods	(757)	(871)	15.1
Leasing expenses	(6,474)	(4,769)	(26.3)
Expenses for consulting services	(4,622)	(3,929)	(15.0)
Insurance premiums	(2,379)	(2,273)	(4.5)
Administrative and operating expenses	(2,183)	(1,606)	(26.4)
Repairs and spare parts	(1,888)	(2,873)	52.2
Travel and out-of-pocket expenses	(1,319)	(1,622)	23.0
IT expenses	(2,623)	(3,679)	40.3
Loss of receivables	(1,099)	(1,600)	45.6
Costs related to car pool	(1,765)	(2,133)	20.8
Expenses from disposal of assets	(189)	(294)	55.6
Others	(7,903)	(5,015)	(36.5)
Other operating expenses	**(130,325)**	**(136,504)**	4.7

Other operating expenses increased by €6.2 million or 4.7%, from €130.3 million in 2014 to €136.5 million in 2015, primarily as a result of the acquisition of the production site in Troyes. External labor expenses increased by €6.2 million or 29.3%, from €21.1 million in 2014 to €27.2 million in 2015, which primarily reflects additional external labor expenses in our production, warehousing and internal logistics in Troyes. Notwithstanding the 7.8% increase in the volume of finished products in 2015, sales costs only increased by €2.4 million or 3.5%, from €69.3 million in 2014 to €71.7 million in 2015, primarily due to additional sales in 2015 related to the acquisition of the production site in Troyes, which were partly offset by lower freight cost rates due to lower diesel prices as well as a more efficient allocation of production and logistics flows within our European network which allowed us to reduce freight costs.

Repairs and spare parts expenses increased by €1.0 million or 52.2%, from €1.9 million in 2014 to €2.9 million in 2015, primarily due to more events requiring machine repair as well as additional expenses incurred at our new plant in Troyes. Expenses for IT increased by €1.1 million or 40.3%, from €2.6 million in 2014 to €3.7 million in 2015, mainly related to our new enterprise resource planning ("ERP") software JD Edwards as well as IT expenses we incurred in connection with the acquisition of the new plant in Troyes. In addition, expenses from losses of receivables increased by €0.5 million or 45.6%, from €1.1 million in 2014 to €1.6 million in 2015, mainly due to write-offs and the establishment of provisions with regard to a number of accounts receivable of WEPA Italia S.r.l.

These increases in operating expenses were partially offset by a decrease in other operating expenses of €2.9 million or 36.5%, from €7.9 million in 2014 to €5.0 million in 2015, mainly due to a one-off provision in 2014 in connection with a conservative assessment of possible claims by EcoEmballage in France as described in more detail under "*Business—Legal Proceedings*". Leasing expenses decreased by €1.7 million or 26.3%, from €6.5 million in 2014 to €4.8 million in 2015, as a result of the acquisition by WEPA Italia S.r.l., in late 2014, of the land on which our converting facilities in Salanetti, Italy are located. See also "*—Key Factors Affecting Our Results of Operations—Expansion Projects and Investment Program*". Finally, expenses for consulting services decreased by €0.7 million or 15.0%, from €4.6 million in 2014 to €3.9 million in 2015, and administrative and operating expenses decreased by €0.6 million or 26.4%, from €2.2 million in 2014 to €1.6 million, in each case as a result of cost optimization measures.

EBITDA

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
EBITDA(1)	117,795	125,114	6.2

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information".

Our EBITDA increased by €7.3 million or 6.2% from €117.8 million in 2014 to €125.1 million in 2015, as a result of the factors described above. Our EBITDA in 2014 was positively impacted by non-recurring other operating income of €7.5 million from the release of difference from capital consolidation of Winfried Limited in connection with the acquisition of our 50% stake in our UK joint venture Northwood & WEPA. Excluding this one-off effect in 2014, our EBITDA would have increased by €14.8 million or 13.4%, from €110.3 million in 2014 to €125.1 million in 2015.

Amortization and depreciation

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Amortization on intangible assets	(3,783)	(3,361)	(11.2)
Depreciation on tangible assets	(28,499)	(36,281)	27.3
Total amortization and depreciation	**(32,282)**	**(39,642)**	22.8

Amortization and depreciation expenses increased by €7.4 million or 22.8% from €32.3 million in 2014 to €39.6 million in 2015. This increase was driven by a €7.8 million or 27.3% increase in depreciation on tangible assets, primarily because we began recording depreciation charges for the first time with regard to the assets at the production site in Troyes we acquired effective March 1, 2015 and with regard to our two new paper machines in Lille and Giershagen, which commenced operations at the beginning of August and at the end of October 2015, respectively. In addition, we recorded €1.7 million in extraordinary depreciation charges in 2015, mainly related to an outdated converting line at our production site in Lille.

These increases were partly offset by a €0.4 million or 11.2% decrease in amortization on intangible assets, from €3.8 million in 2014 to €3.4 million in 2015, as depreciation charges in 2014 included an extraordinary depreciation charge with regard to our "La Perla" brand in Italy.

Earnings from associated companies

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Earnings from associated companies	3,891	6,284	61.5

Earnings from associated companies increased by €2.4 million or 61.5%, from €3.9 million in 2014 to €6.3 million 2015, mainly due to the good operating performance of our UK joint venture Northwood & Wepa. The earnings from our 50% stake in Northwood & Wepa increased from €0.9 million in 2014 to €6.3 million in 2015. This significant increase was partly offset by a reduction of earnings from associated companies as a result of the divestment in 2015 of our respective stakes in MKG and in our Spanish joint venture GC & WEPA which accounted for earnings from associated companies of €2.4 million and €0.6 million, respectively, in 2014. For more detail, see "*—Key Factors Affecting Our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*".

Interest income/(expenses), net

	Year ended December 31,		
	2014	2015	Change
	(€ in thousands)		(%)
Income from loans under financial assets	291	705	142.3
Income from disposal of financial assets	—	7,306	—
Other interest and similar income	1,144	759	(33.7)
Amortization of financial assets	(8,462)	—	—
Interest and similar expenses	(32,300)	(28,563)	(11.6)
Interest income/(expenses), net	**(39,327)**	**(19,793)**	(49.7)

Our interest income/(expenses), net in 2015 fell by €19.5 million or 49.7% from net expenses of €39.3 million in 2014 to net expenses of €19.8 million in 2015. This decrease was primarily due to a one-off €8.5 million amortization charge we recorded in 2014 with regard to our former 49% stake in our former Spanish joint-venture GC & WEPA as well as €7.3 million in income from disposal of financial assets we recorded in 2015 in connection with the divestment of our respective stakes in GC & WEPA and MKG. For more detail, see "*—Key Factors Affecting Our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*". In addition, our interest and similar expenses decreased by €3.7 million or 11.6%, from €32.3 million in 2014 to €28.6 million in 2015, primarily due one-off costs related to the termination of an unused interest rate swap in 2014.

Extraordinary income/(expenses)

	Year ended December 31, 2014	2015	Change
	(€ in thousands)		(%)
Expenses Related to Refinancing	—	—	—
thereof Swap liquidation	—	—	—
thereof refinancing fees	—	—	—
thereof refinancing consulting	—	—	—
thereof other	—	—	—
Other extraordinary expenses	(359)	—	—
thereof restructuring consulting	—	—	—
thereof flood/fire damage	—	—	—
thereof others	*(359)*	—	—
Extraordinary expenses	**(359)**	—	—
Extraordinary income	—	—	—
Extraordinary income/(expenses)	**(359)**	—	—

We did not record any extraordinary income or extraordinary expenses in 2015. The €0.4 million in extraordinary expenses we recorded in 2014 relate to pension provisions we were required to record under German GAAP (Art. 67 Abs. 7 EGHGB (BilMoG)).

Taxes

	Year ended December 31, 2014	2015	Change
	(€ in thousands)		(%)
Trade taxes	(7,212)	(8,140)	12.9
Corporate taxes	(7,113)	(6,151)	(13.5)
Foreign taxes	(492)	(258)	(47.6)
Deferred taxes	175	3,496	—
Income taxes	**(14,642)**	**(11,054)**	(24.5)
Other taxes	(3,766)	(7,144)	89.7
Total taxes	**(18,408)**	**(18,198)**	(1.1)

Notwithstanding a significant €21.9 million or 43.7% increase in earnings from ordinary activities, from €50.1 million in 2014 to €72.0 million in 2015, total taxes decreased slightly by €0.2 million or 1.1%, from €18.4 million in 2014 to €18.2 million in 2015, primarily as a result of a decrease in income taxes by €3.6 million or 24.5%, from €14.6 million in 2014 to €11.1 million in 2015. This decrease was primarily due to a higher income from deferred taxes by €3.3 million, mainly in Poland. This development was the consequence of an expected improvement of our future results in Poland as a result of our investment in the new paper machine in Piechowice, which led to an increase of usable tax credits in our tax planning.

The significant decrease in income taxes was almost entirely offset by a €3.4 million increase in other taxes, from €3.8 million in 2014 to €7.1 million in 2015, primarily due to a reclassification of energy taxes as well as additional other taxes we incurred in connection with the acquisition of the production site in Troyes.

Net income/(loss)

	Year ended December 31, 2014	2015	Change
	(€ in thousands)		(%)
Net income/(loss)	31,311	53,765	71.7

Net income/(losses) improved by €22.5 million in 2015 from net income of €31.3 million in 2014 to net income of €53.8 million in 2015 as a result of the factors described above.

Financial Year Ended December 31, 2014 Compared to Financial Year Ended December 31, 2013

The table below sets forth certain information from our consolidated income statement for the financial years ended December 31, 2013 and December 31, 2014:

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Sales revenues	854,840	858,311	0.4
Increase or decrease of inventory of finished and semi-finished products	914	6,671	629.9
Total operating performance	**855,753**	**864,982**	1.1
Other internally produced and capitalized assets	383	21	(94.5)
Other operating income	10,895	24,580	125.6
Cost of materials	(518,604)	(507,989)	(2.0)
Personnel expense	(126,285)	(133,474)	5.7
Other operating expenses	(124,436)	(130,325)	4.7
EBITDA[(1)]	**97,706**	**117,795**	20.6
Amortization and depreciation on intangible and tangible fixed assets	(33,102)	(32,282)	(2.5)
Earnings from associated companies	(19)	3,891	—
Income from loans under financial assets	123	291	136.6
Other interest and similar income	103	1,144	—
Interest and similar expenses	(26,636)	(40,762)	53.0
Compensation for outstanding profit-sharing rights	(131)	—	—
Earnings from ordinary activities	**38,044**	**50,078**	31.6
Extraordinary income	2,539	—	—
Extraordinary expenses	(38,391)	(359)	(99.1)
Extraordinary income/(expenses)	(35,852)	(359)	(99.0)
Income taxes	(8,271)	(14,642)	77.0
Other taxes	(3,218)	(3,766)	17.0
Net income/(loss)	**(9,296)**	**31,311**	—

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information".

Sales revenues

Total sales revenues increased slightly by €3.5 million or 0.4%, from €854.8 million in 2013 to €858.3 million in 2014. During the same period, sales volumes of finished products increased by 10,000 tons or 1.9%, from 531,000 tons in 2013 to 541,000 tons in 2014, mainly as a result of general market growth. Sales prices during the same period remained largely unchanged. Sales of semi-finished products fell by 7,000 tons from 63,000 tons in 2013 to 56,000 tons in 2014, because of higher internal requirements due to the increase in our own production of finished products.

The following table sets forth our sales revenues by geographic markets:

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Sales in Germany	350,989	365,929	4.3
Foreign sales	503,851	492.382	(2.3)
Total sales revenues	**854,840**	**858,311**	0.4

In 2014, sales revenues in Germany accounted for 42.6% of total sales revenue compared to 41.1% of total sales revenues in 2013. Sales revenues in Germany increased by €14.9 million or 4.3% from €351.0 million in 2013 to €365.9 million in 2014, while at the same time foreign sales revenue decreased by €11.5 million or 2.3% from €503.9 million in 2013 to €492.4 million in 2014. The decrease in German sales revenues and the increase in foreign sales revenues in 2014 resulted primarily from changes in our customer portfolio. The overall increase of total sales revenues was primarily the result of general market growth, in particular in Eastern Europe.

Increase or decrease of inventory of finished and semi-finished products

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Semi-finished products	(316)	(818)	158.9
Finished products	1,229	7,489	509.4
Total	**914**	**6,671**	629.9

Our inventory of finished and semi-finished products increased by €0.9 million in 2013 compared to an increase of €6.7 million in 2014. Our inventory levels are generally influenced by both short-term factors, such as seasonal fluctuations and inventory management measures taken by our key customers, and long-term factors, such as increases or decrease in sales revenues as well as expansion projects and our investment program.

Other internally produced and capitalized assets

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Capitalized Assets	383	21	(94.5)

Capitalized internally generated assets of €0.4 million in 2013 and €21,000 in 2014 relate to the Group-wide implementation of a standardized ERP software.

Other operating income

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Income from other periods	2,557	1,510	(40.9)
Liquidation of provisions	200	2,104	—
Income from insurance refunds from damage events	1,081	1,165	7.8
Refund of energy costs	2,247	2,777	23.6
Income from disposal of assets	(8)	783	—
Exchange rate difference	470	354	(24.7)
Income from services	1,831	941	(48.6)
Income from release of difference from capital consolidation	347	7,858	—
Reimbursement of other social security benefits	576	396	(31.3)
Income from CO_2 certificates and scrap	51	1,640	—
Income from reduction of bad debt allowance	545	442	(18.9)
Income from findings tax audit	—	2,882	—
Other income	998	1,729	73.2
Other operating income	**10,895**	**24,580**	125.6

Other operating income increased by €13.7 million or 125.6%, from €10.9 million in 2013 to €24.6 million in 2014. This increase was primarily due to (i) a €7.5 million increase in income from release of difference from capital consolidation, from €0.3 million in 2013 to €7.9 million in 2014, mainly due to a non-recurring income of €7.5 million for the release of difference from the capital consolidation of Winfried Limited, (ii) €2.9 million in income from findings of tax audit in 2014 (iii) a 1.9 million increase in income from the liquidation of provisions, from €0.2 million in 2013 to €2.1 million in 2014, primarily because of higher liquidation of provisions for energy, deferred maintenance and outstanding invoices as well as (iv) a

€1.6 million increase in income from CO_2 certificates and scrap, from €0.1 million in 2013 to €1.6 million in 2014, mainly due to an increase in sales of white certificates in Italy by €1.1 million. White certificates certify the achievement of certain reductions in energy consumption and can be traded in a way that is similar to the concept of emissions trading. Furthermore, we recorded an increase in other income by €0.7 million, from €1.0 million in 2013, to €1.7 million in 2014, mainly relating to a bonus from suppliers in Italy as well as a €0.5 million increase in refunds of energy costs, from €2.2 million in 2013 to €2.8 million in 2014.

These increases were only partially offset by a €1.0 million decrease in income from other periods, from €2.6 million in 2013 to €1.5 million in 2014, and a €0.9 million decrease in income from services, from €1.8 million in 2013 to €0.9 million in 2014.

Cost of materials

	Year ended December 31,		
	2013	**2014**	**Change**
	(€ in thousands)		**(%)**
Cost of raw materials, supplies and purchased goods	(396,797)	(393,247)	(0.9)
Third-party service costs	(121,807)	(114,742)	(5.8)
Cost of materials	**(518,604)**	**(507,989)**	(2.0)

Cost of materials decreased by €10.6 million or 2.0% from €518.6 million in 2013 to €508.0 million in 2014. The decrease was mainly driven by decreases in the price of pulp and energy expenses. Our average pulp price decreased by €27 per ton or 5.4%, from €498 per ton in 2013 to €471 per ton in 2014, resulting in decreased pulp costs of €9.9 million. At the same time, the average price for recovered paper increased by €8 per ton, from €145 per ton in 2013 to €153 per ton in 2014, resulting in increased waste paper costs of €2.7 million. Our pulp consumption increased by 5,000 tons compared to 2013 due to a fluctuation in our product mix away from recovered paper products and more towards virgin pulp products, which resulted in increased pulp costs of €2.5 million. At the same time, our consumption of recovered paper decreased by 4,000 tons compared to 2013, resulting in reduced recovered paper costs of €0.6 million, partly as a result of a shift in our product mix towards higher quality products. However, this shift in our product mix was also partly responsible for a significant €4.6 million increase in auxiliary costs, mainly related to packaging materials, which represent 74.7% of our total auxiliary costs.

Third-party service costs decreased by €7.1 million or 5.8% in 2014, primarily due to a decrease in our energy expenses by €9.7 million or 11.5%, from €84.7 million in 2013 to €75.0 million in 2014, as a result of market price decreases as well as our continuing efforts to optimize our energy consumption as part of our Continuous Improvement Process.

Personnel expense

	Year ended December 31,		
	2013	**2014**	**Change**
	(€ in thousands)		**(%)**
Salaries and wages	(100,151)	(107,840)	7.7
Social security contributions and retirements and assistance costs	(26,134)	(25,634)	(1.9)
—*of which for retirement costs:*	(838)	(519)	(38.1)
Personnel expense	**(126,285)**	**(133,474)**	5.7

Personnel expense in 2014 increased by €7.2 million or 5.7%, from €126.3 million in 2013 to €133.5 million in 2014, reflecting an €7.7 million or 7,7% increase in salaries and wages and a €0.5 million decrease in social security contributions and retirement and assistance costs. Salaries and wages increased by 7.7% in 2014 compared to an increase of 2.0% in the average number of employees to 2,620 employees in 2014 from 2,568 employees in 2013. This development was mainly driven by general wage increases under collective bargaining agreements, higher expenses for personnel development as well as the hiring of additional employees to operate an additional converting line in Poland.

	Year ended December 31,		
	2013	2014	Change
			(%)
Factory workers	2,017	2,037	1.0
Administrative employees	551	583	5.8
Average number of employees	**2,568**	**2,620**	2.0

The number of factory workers increased by 20 or 1.0%, from 2,017 in 2013 to 2,037 in 2014, mainly due the hiring of additional employees to operate a new converting line in Poland. During the same period, the number of administrative employees increased by 32 or 5.8%, from 551 in 2013 to 583 in 2014, partly as a result of the Group-wide implementation of JD Edwards enterprise resource planning ("ERP") software.

Other operating expenses

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Sales costs	(67,950)	(69,274)	1.9
External labor	(20,630)	(21,071)	2.1
Expenses from allocations	(3,728)	(5,718)	53.4
Expenses from exchange rate differences	(1,007)	(1,061)	5.4
Expenses from other periods	(1,302)	(757)	(41.9)
Leasing expenses	(7,232)	(6,474)	(10.5)
Expenses for consulting services	(4,434)	(4,622)	4.2
Insurance premiums	(2,969)	(2,379)	(19.9)
Administrative and operating expenses	(1,733)	(2,183)	26.0
Repairs and spare parts	(2,227)	(1,888)	(15.2)
Travel and out-of-pocket expenses	(1,322)	(1,319)	(0.2)
IT expenses	(1,676)	(2,623)	56.5
Loss of receivables	(3,013)	(1,099)	(63.5)
Costs related to car pool	(1,796)	(1,765)	(1.7)
Expenses from disposal of assets	(0)	(189)	100.0
Others	(3,416)	(7,903)	131.4
Other operating expenses	**(124,436)**	**(130,325)**	4.7

Other operating expenses increased by €5.9 million or 4.7%, from €124.4 million in 2013 to €130.3 million in 2014, mainly due to a one-off provision in 2014 in connection with a conservative assessment of possible claims by EcoEmballage in France which we recorded under "others". For more detail, see also "*Business—Legal Proceedings*". Primarily as a result of this one-off provision, expenses recorded under "others" increased by €4.5 million, from €3.4 million in 2013 to €7.9 million in 2014. In addition, expenses from allocations increased by €2.0 million or 53.4%, from €3.7 million in 2013 to €5.7 million in 2014, mainly as a result of payments we made to our parent company, WEPA Industrieholding SE, in relation to additional personnel expenses and costs incurred in connection with strategic projects for the WEPA Group. Sales costs also increased by €1.3 million or 1.9%, from €68.0 million in 2013 to €69.3 million in 2014, in line with the 1.9% increase in sales volumes of finished products. Finally, expenses for IT increased by €0.9 million or 56.5%, from €1.7 million in 2013 to €2.6 million in 2014, mainly as a result of the Group-wide implementation of JD Edwards enterprise resource planning ("ERP") software.

These increased costs were partly offset by a €1.9 million decrease in expenses from loss of receivables, from €3.0 million in 2013 to €1.1 million in 2014. The related losses were higher in 2013 because some of our Italian customers became insolvent in 2013. Leasing expenses also decreased by €0.8 million or 10.5%, from €7.2 million in 2013 to €6.5 million in 2014, mainly due to the expiration of certain equipment leasing contracts in Italy, which we assumed as part of our acquisition of the assets of the insolvent Kartogroup in 2009. In addition, expenses for repairs and spare parts decreased by €0.3 million or 15.2%, from €2.2 million in 2013 to €1.9 million in 2014, mainly due to lower events requiring machine repair.

EBITDA

	Year ended December 31, 2013	2014	Change
	(€ in thousands)		(%)
EBITDA[(1)]	97,706	117,795	20.6

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information".

Our EBITDA increased by €20.1 million or 20.6%, from €97.7 million in 2013 to €117.8 million in 2014, as a result of the factors described above. Our EBITDA in 2014 was positively impacted by non-recurring other operating income of €7.5 million from the release of difference from capital consolidation of Winfried Limited in connection with the acquisition of our 50% stake in our UK joint venture Northwood & WEPA. Excluding this one-off effect in 2014, our EBITDA would only have increased by €12.6 million or 12.9% to €110.3 million in 2014.

Amortization and depreciation

	Year ended December 31, 2013	2014	Change
	(€ in thousands)		(%)
Amortization on intangible assets	(2,654)	(3,783)	42.5
Depreciation on tangible assets	(30,449)	(28,499)	(6.4)
Total amortization and depreciation	**(33,102)**	**(32,282)**	(2.5)

Amortization and depreciation expenses decreased slightly by €0.8 million or 2.5%, from €33.1 million in 2013 to €32.3 million in 2014, due to a decrease in depreciation on tangible assets by €2.0 million or 6.4%, from €30.4 million in 2013 to €28.5 million in 2014, mainly due to a €4.0 million extraordinary depreciation charge we recorded with regard to our Italian operations in 2013 which was partly offset by additional depreciation relating to the investments as described in more detail in "*—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" above.

This decrease was partly offset by a €1.1 million increase in amortization on intangible assets, from €2.7 million in 2013 to €3.8 million in 2014, primarily related to the Group-wide implementation of our new JD Edwards enterprise resource planning software.

Earnings from associated companies

	Year ended December 31, 2013	2014	Change
	(€ in thousands)		(%)
Earnings from associated companies	(19)	3,891	—

Earnings from associated companies increased by €3.9 million, from losses of €19,000 in 2013 to €3.9 million of income in 2014, mainly due to a €2.7 million increase in earnings from our 22.3% stake in MKG, from a loss of €0.4 million in 2013 to income of €2.4 million in 2014, which primarily represented our proportionate share in gains from the sale of MKG's operational power plant business to our wholly-owned subsidiary WKG. For more detail, see also "*Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*". In the first quarter of 2014, we also acquired 100% of the share capital of Winfried Limited, which holds a 50% stake in our UK joint venture Northwood & WEPA. Our proportionate share in the earnings of Northwood & WEPA amounted to €0.9 million in 2014. Finally, our proportionate share in the earnings of our former Spanish joint-venture GC & WEPA increased by €0.3 million, from €0.3 million in 2013 to €0.6 million in 2014, which was the result of an improved operating performance.

Interest income/(expenses), net

	Year ended December 31, 2013	2014	Change
	(€ in thousands)		(%)
Income from loans under financial assets	123	291	136.6
Income from disposal of financial assets	—	—	—
Other interest and similar income	103	1,144	—
Amortization of financial assets	0	(8,462)	—
Interest and similar expenses	(26,636)	(32,300)	21.3
Compensation for outstanding profit-sharing rights	(131)	—	—
Interest income/(expenses), net	**(26,541)**	**(39,327)**	48.2

Our interest expenses, net in 2014 increased significantly by €12.8 million or 48.2%, from net expenses of €26.5 million in 2013 to net expenses of €39.3 million in 2014, mainly due to (i) a €8.5 million one-off amortization charge we recorded in 2014 with regard to our former 49% stake in our former Spanish joint venture GC & WEPA as well as (ii) a significant €5.7 million or 21.3% increase in interest and similar expenses, from €26.6 million in 2013 to €32.3 million in 2014, primarily due to one-off costs we incurred in connection with the termination of unused interest rate swaps in 2014. These increases in interest expenses far exceeded the €1.0 million increase in other interest and similar income, mainly due to the first-time partial release of the premium at which we issued €52 million in principal amount of the Existing Notes in December 2013. Income from loans under financial assets also increased by €0.2 million, due to additional income from a loan to Northwood & WEPA.

Extraordinary income/(expenses)

	Year ended December 31, 2013	2014	Change
	(€ in thousands)		(%)
Expenses Related to Refinancing	(31,120)	—	—
thereof Swap liquidation	*(15,342)*	—	—
thereof refinancing fees	*(7,628)*	—	—
thereof refinancing consulting	*(6,448)*	—	—
thereof other	*(1,702)*	—	—
Other extraordinary expenses	*(7,271)*	(359)	(70.9)
thereof restructuring consulting	*(4,868)*	—	—
thereof flood/fire damage	*(1,169)*	—	—
thereof others	*(1,234)*	*(359)*	(70.9)
Extraordinary expenses	**(38,391)**	**(359)**	—
Extraordinary income	**2,539**	—	—
Extraordinary income/(expenses)	**(35,852)**	**(359)**	—

Net extraordinary income/(expenses) improved by €35.5 million, from €35.9 million of extraordinary expenses in 2013 to only €0.4 million of extraordinary expenses in 2014. Extraordinary expenses in 2013 primarily related to our refinancing and restructuring. In May 2013, we issued €275 million principal amount of our Existing Notes and entered into the Senior Revolving Credit Facility. On the date of issuance of such Existing Notes, we used the net proceeds from the offering and partial drawings under the Senior Revolving Credit Facility to repay in full (including principal and accrued interest) and terminate all of our then existing financing arrangements and to replace and terminate our then existing on-balance sheet factoring programs with UniCredit and FactorCoop in Italy. We also terminated certain of our interest rate swaps, which resulted in the realization of one-off losses and corresponding payments to the relevant swap counterparties. In December 2013, we issued an additional €52.0 million principal amount of our Existing Notes for general corporate purposes. In total, we spent €31.1 million in fees and expenses as well as costs for the termination of interest rate swaps in connection with our refinancing in 2013. Restructuring consulting expenses of €4.9 million in 2013 primarily relate to measures we took to restructure and reposition our Italian business. Furthermore, there was an one-off fee of €1.3 million that we paid to restructuring advisors in connection with advice rendered for restructuring measures outside Italy, and one-off expenses of €1.2 million related to a fire at our high rack warehouse in Arnsberg (although this was largely off-set by €2.5 million corresponding insurance payments).

Extraordinary income of €2.5 million in 2013 mainly related to the insurance payments for the fire in Arnsberg as detailed above, the proceeds from the sale of our former plant at Piano della Rocca (as part of the restructuring of our Italian business) and a reduction in a severance payment program in WEPA International GmbH as earlier accruals for the related severance payments proved to have been overly cautious.

The €0.4 million in extraordinary expenses we recorded in 2014 relate to pension provisions we were required to record in connection with certain changes introduced under German GAAP (Art. 67 Abs. 7 EGHGB (BilMoG)).

Taxes

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Trade taxes	(3,104)	(7,212)	132.3
Corporate taxes	(2,497)	(7,113)	184.9
Foreign taxes	(834)	(492)	(41.0)
Deferred taxes	(1,835)	175	109.5
Income taxes	**(8,271)**	**(14,642)**	77.0
Other taxes	(3,218)	(3,766)	17.0
Total taxes	**(11,488)**	**(18,408)**	60.2

Total taxes increased by €6.9 million or 60.2%, from €11.5 million in 2013 to €18.4 million in 2014, primarily due to higher earnings. Income taxes increased by €6.4 million or 77.0%, from €8.3 million in 2013 to €14.6 million, due to an increase in corporate taxes of €4.6 million or 184.9% and an increase of trade taxes of €4.1 million, both mainly due to significantly increased earnings. This was partly offset by lower deferred taxes of €2.0 million, primarily relating to possible claims by EcoEmballage in France as described in more detail under "*Business—Legal Proceedings*" as well as tax credits in Poland.

Furthermore, other taxes increased by €0.5 million or 17.0%, from €3.2 million in 2013 to €3.8 million in 2014, mainly due to higher real estate taxes in France as well as other taxes incurred by our newly established subsidiary WEPA Kraftwerk GmbH (WKG).

Net income/(loss)

	Year ended December 31,		
	2013	2014	Change
	(€ in thousands)		(%)
Net income/(loss)	(9,296)	31,311	—

Net income/(loss) increased significantly by €40.6 million from a net loss of €9.3 million in 2013 to net income of €31.3 million in 2014 as a result of factors described above.

LIQUIDITY AND CAPITALIZATION

Overview

Our primary sources of financing are cash generated from our operating activities, the Existing Notes, borrowings under the Senior Revolving Credit Facility, our ABS Program and bank loans of individual subsidiaries. Our cash requirements consist mainly of debt and tax servicing requirements, the purchase of raw materials, freight and energy, working capital, personnel expenses and capital expenditures.

Our ability to generate cash from our operating activities depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under "Risk

Factors". In addition, we will only be able to draw under the Senior Revolving Credit Facility if, among other things, we meet the financial covenants set out in the facility agreement relating thereto. See "*Description of Other Indebtedness—Senior Revolving Credit Facility*".

Although we believe that our expected cash flows from operating activities, together with the proceeds from the Offering, capacity under the Senior Revolving Credit Facility, our ABS program, bank loans of individual subsidiaries and cash and cash equivalents, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operating activities or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs.

We believe that the potential risks to our liquidity include:

- a reduction in operating cash flows due to a decrease of operating profit from our operations, which could be the result of a downturn in our performance or in the industry as a whole;
- the failure or delay of our customers to make payments due to us;
- the failure to realize the expected benefits from our Continuous Improvement Process and from further future optimization initiatives;
- the failure to further maintain a lean cost structure;
- the failure to execute our expansion projects and investment program successfully;
- any significant unplanned downtime of one or more of our production facilities;
- a failure to maintain low working capital requirements;
- currency exchange rate fluctuations;
- an increase in variable interest payments or taxes; and
- the need to fund capacity expansion, unexpected replacement capital expenditures and other development capital expenditures.

If our future cash flows from operating activities and other capital resources (including borrowings under our current or any future credit facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

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

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Notes and any future debt may limit our ability to pursue any of these alternatives.

However, we believe that our short- to mid-term hedging measures, our ability to preserve cash in the mid-term through the adaptation of the amount of our controlled capital expenditures, a stable financing structure and long-term improvements to our profitability and cash generation, including through further controlled investments as well as cost-reduction initiatives implemented as part of our Continuous Improvement Process put us in a strong financial position and give us significant flexibility to weather and/or adapt to challenges that may face us or our industry as a whole (e.g. rapid increases in energy costs or raw material prices or increased competition).

Cash flows

The following table sets forth our cash flows for the years ended December 31, 2013, 2014 and 2015 and for the three-month periods ended March 31, 2015 and 2016 according to the Principles of German Accounting Standard No. 21:

	Year ended December 31,			Three-month period ended, March 31,	
	2013	2014	2015	2015	2016
	(€ in thousands)			(unaudited) (€ in thousands)	
Consolidated net income/(net loss) before extraordinary items[1]	**26,556**	**31,670**	**53,765**	**9,961**	**9,525**
Amortization/depreciation of fixed asset items	33,102	40,745	39,642	8,298	9,729
Increase/(decrease) in provisions	10,234	1,315	2,842	(2,981)	(796)
Other non-cash expenses/(income)	1,478	(7,060)	(8,584)	(720)	56
(Gain)/loss from the disposal of fixed asset items	(5)	(595)	(7,197)	785	53
Decrease/(increase) in inventories, trade receivables and other assets	11,066	(4,874)	13,807	(4,697)	(10,840)
(Decrease)/increase in trade payables and other liabilities	(21,976)	213	(5,359)	6,312	5,372
Interest expenses/(interest income)	26,541	30,864	27,099	6,417	6,654
Other income from associated companies	19	(3,891)	(6,284)	(1,078)	(617)
Income tax expense/(income)	8,271	14,642	11,054	3,728	5,833
(Expenses for)/income from extraordinary items[2]	(11,180)	(359)	—	—	—
Income taxes paid	(11,634)	(3,735)	(16,279)	(5,852)	(1,850)
Cash flow from operating activities	**72,470**	**98,936**	**104,507**	**20,174**	**23,118**
Proceeds from disposal of intangible fixed assets	174	—	63	—	—
Payments to acquire intangible fixed assets	(2,384)	(2,116)	(2,442)	(282)	(503)
Proceeds from disposal of tangible fixed assets	7,023	2,276	1,311	757	7
Payments to acquire tangible fixed assets	(30,808)	(82,055)	(83,846)	(12,967)	(11,063)
Proceeds from disposal of long-term financial assets	1,313	2,859	18,481	101	28
Payments to acquire long-term financial assets	(25,419)	—	(18)	(2)	—
Payments to acquire entities included in the basis of consolidation	—	(19,500)	(23,946)	(22,551)	(6,500)
Interest received	577	1,436	357	145	150
Dividends received	—	—	(369)	—	—
Cash flow from investing activities	**(49,524)**	**(97,101)**	**(90,409)**	**(34,797)**	**(17,881)**
Free cash flow[3]	**22,947**	**1,835**	**14,097**	**(14,623)**	**5,237**
Dividends paid to shareholders of parent entity	—	(6,200)	(10,400)	—	—
Payments for profit sharing rights	(3,300)	—	—	—	—
Receipts from the issue of bonds and raising (financial) loans	332,030	826	—	—	—
Payments for the repayment of loans and taking out (financial) credits	(249,799)	—	(3,782)	(2,315)	(1,450)
Interest paid	(21,784)	(28,102)	(22,664)	(612)	(872)
Cash flow from financing activities	**57,147**	**(33,476)**	**(36,846)**	**(2,927)**	**(2,322)**
Net change in cash funds	80,094	(31,641)	(22,749)	(17,550)	2,915
Effects on cash funds of changes in the basis of consolidation	—	426	4,674	4,674	—
Effect on cash fund of exchange rate movements and remeasurements	(24)	(2)	94	28	(108)
Cash funds at the beginning of the period	(16,270)	63,800	32,583	32,583	14,602
Cash funds at end of period	**63,800**	**32,583**	**14,602**	**19,736**	**17,409**
Cash and cash equivalents	64,309	32,882	34,704	39,801	37,485
Liabilities to credit institutions that are repayable on demand and other short-term borrowings	(509)	(299)	(20,102)	(20,066)	(20,076)

(1) Consolidated net income/net loss before extraordinary items means the total net income/(loss) before extraordinary income/ (expenses).

(2) Extraordinary income/(expenses) comprise one-off income and expenses not related to our ordinary business. Extraordinary expenses mainly relate to our refinancing and the restructuring of our Italian business in 2013. For a more detailed explanation of this line item for the relevant years, see "*—Results of Operations*".

(3) Free cash flow (unaudited; not a German GAAP measure) we define as cash flow from operating activities less cash flow from investing activities. See also footnote (11) under "*—Summary Financial Information and Other Information*".

Cash flow from operating activities

In the three-month period ended March 31, 2016, cash flow from operating activities increased by €2.9 million or 14.6%, from €20.2 million in the three-month period ended March 31, 2015 to €23.1 million in the three-month period ended March 31, 2016. This increase was primarily due to the €3.0 million or 20.5% increase in earnings from ordinary activities, from €14.7 million in the three-month period ended March 31, 2015 to €17.7 million in the three-month period ended March 31, 2016, mainly driven by the increase of €15.7 million in total sales revenues, from €223.0 million in the three-month period ended March 31, 2015 to €238.7 million in the three-month period ended March 31, 2016, which was only partly offset by the proportionately lower €10.8 million increase in our cost of materials, from €131.1 million in the three-month period ended March 31, 2015 to €141.9 million in the three-month period ended March 31, 2016 as well as an €2.0 million increase in personnel expenses, from €36.9 million in the three-month period ended March 31, 2015 to €38.9 million in the three-month period ended March 31, 2016. In addition, operating cash flow in the three-month period ended March 31, 2016 benefited from a €4.0 million decrease in taxes paid, from €5.9 million in the three-month period ended March 31, 2015 to €1.9 million in the three-month period ended March 31, 2016, due to adjusted tax prepayments from prior periods in the three-month period ended March 31, 2015. These positive effects on cash flow from operating activities were partly offset by a €15.9 million increase in our Trade Working Capital, from €98.4 million as of December 31, 2015 to €114.3 million as of March 31, 2016. This increase in our Trade Working Capital was primarily due to higher inventory levels driven by high-volume purchases of raw materials from the spot market at the end of March 2016 as well as a decreased utilization of our ABS Program and a corresponding increase in accounts receivable. Inventories of finished products also increased significantly in the three-month period ended March 31, 2016.

In 2015, cash flow from operating activities increased by €5.6 million or 5.6%, from €98.9 million in 2014 to €104.5 million in 2015. This increase was primarily due to the €22.1 million or 69.8% increase in consolidated net income before extraordinary items, from €31.7 million in 2014 to €53.8 million in 2015, mainly driven by the increase of €66.6 million in total sales revenues, from €858.3 million in 2014 to €924.9 million in 2015, which was only partly offset by the proportionately lower €28.0 million increase in our cost of materials, from €508.0 million in 2014 to €536.0 million in 2015 as well as an €17.2 million increase in personnel expenses, from €133.5 million in 2014 to €150.7 million in 2015. In addition, the significant €21.3 million decrease in our trade working capital, from €119.7 million as of December 31, 2014 to €98.4 million as of December 31, 2015, notwithstanding the increase in our total operating performance in 2015, had a positive impact on the cash flow from operating activities. This decrease in our Trade Working Capital was primarily due to the increased utilization of our ABS Program. These increases in cash flow from operating activities were partly offset by a €12.5 million increase in income taxes paid, mainly caused by the better result situation as well as a €6.6 million increase in gains from the disposal of fixed asset items, primarily related to the divestment of our stakes in GC & WEPA and MKG. In addition, our net interest expenses decreased by €3.8 million from €30.9 million in 2014 to €27.1 million in 2015, mainly due to the termination of an unused interest rate swap in 2014.

In 2014, our cash flow from operating activities increased by €26.5 million or 36.5%, from €72.5 million in 2013 to €98.9 million in 2014, notwithstanding a slight €0.5 million or 0.4% decrease in our Trade Working Capital, from €120.2 million as of December 31, 2013 to €119.7 million as of December 31, 2014. This increase in cash flow from operating activities was primarily due to (i) a €10.8 million decrease in net cash expenses for extraordinary items, from €11.2 million in 2013 to €0.4 million in 2014, (ii) a decrease of €7.9 million in income taxes paid, from €11.6 million in 2013 to €3.7 million in 2014 and (iii) the increase of consolidated net income before extraordinary items of €5.1 million or 19.3%, from €26.6 million in 2013 to €31.7 million in 2014. The latter was driven by the increase of €3.5 million in total sales revenues, from €854.8 million in 2013 to €858.3 million in 2014 and the €10.6 million decrease in our cost of materials, from €518.6 million in 2013 to €508.0 million in 2014. These positive effects on consolidated net income before extraordinary items were partly offset by a €7.2 million increase in personnel expenses, from €126.3 million in 2013 to €133.5 million in 2014.

As highlighted in the preceding paragraphs, cash flow from operating activities is significantly affected by changes in net working capital. As a result, our cash flow from operating activities can be significantly affected by changes in raw material prices or an increase or decrease of sales volumes as those factors affect the amount of inventories, trade receivables and trade payables. The following table sets forth our net working capital as of the dates indicated:

	As at December 31,			As at March 31,	
	2013	2014	2015	2015	2016
	(€ in thousands)			(unaudited) (€ in thousands)	
Trade receivables	**72,867**	**71,776**	**51,496**	**75,776**	**55,389**
Inventories	**108,702**	**117,469**	**135,118**	**132,623**	**152,110**
Raw materials and supplies	57,392	59,030	69,585	66,007	78,475
Semi-finished products and work in progress	18,052	17,961	22,354	16,961	22,118
Finished products	33,258	40,478	43,179	49,655	51,517
Trade payables	**(61,385)**	**(69,531)**	**(88,241)**	**(83,620)**	**(93,233)**
Trade Working Capital[(1)]	**120,184**	**119,714**	**98,373**	**124,779**	**114,266**

(1) Trade Working Capital (unaudited; not a German GAAP measure) we define as trade receivables plus inventories, minus trade payables.

We achieved the reduction of Trade Working Capital between 2013 and 2015 primarily through an active management of trade receivables and the extension of external financing through the increased utilization of our ABS program.

In the three-month period ended March 31, 2016, our Trade Working Capital increased by €15.9 million or 16.2%, from €98.4 million as of December 31, 2015 to €114.3 million as of March 31, 2016, primarily due to an increase in our inventory of raw materials, from €69.6 million as of December 31, 2015 to €78.5 million as of March 31, 2016 driven by high-volume purchases of raw materials from the spot market at the end of March 2016, partly to take advantage of lower market prices and to meet our increased raw material requirements for the operation of our new paper machines in Lille, Giershagen and Troyes. Inventories of finished products also increased significantly in the three-month period ended March 31, 2016. Our inventory levels are generally influenced by both short-term factors, such as seasonal fluctuations and inventory management measures taken by our key customers, and long-term factors, such as increases or decreases in sales volumes as well as expansion projects and our investment program. The increase of our trade receivables by €3.9 million to €55.4 million as of March 31, 2016 resulted primarily from a lower utilization of our ABS program. The high volume purchases of raw materials from the spot market at the end of March 2016 also had an impact on trade payables, which increased by €5.0 million, from €88.2 million as of December 31, 2015 to €93.2 million as of March 31, 2016 and partly offset the increases of trade receivables and inventories.

In 2015, our Trade Working Capital decreased by €21.3 million or 17.8%, from €119.7 million as of December 31, 2014 to €98.4 million as of December 31, 2015, primarily due to the increased utilization of our ABS Program as a result of which trade receivables decreased by €20.3 million or 28.3%, from €71.8 million as of December 31, 2014 to €51.5 million as of December 31, 2015, notwithstanding the €66.6 million or 7.8% increase in our total sales revenues in 2015. The further increase of our trade payables by €18.7 million to €88.2 million as of December 31, 2015 as well as the increase of inventories by €17.6 million to €135.1 million as of December 31, 2015 resulted primarily from our acquisition of the production site in Troyes effective March 1, 2015.

In 2014, our Trade Working Capital decreased slightly by €0.5 million or 0.4%, from €120.2 million as of December 31, 2013 to €119.7 million as of December 31, 2014. The increase of inventories by €8.8 million, from €108.7 million as of December 31, 2013 to €117.5 million as of December 31, 2014, due to relatively low inventory levels as at December 31, 2013 as a result of strong sales in the fourth quarter of 2013 was mitigated by an increase of €8.1 million or 13.2% in trade payables, from €61.4 million as of December 31, 2013 to €69.5 million as of December 31, 2014, mainly related to improved payment terms. In addition, trade receivables decreased slightly by €1.1 million to €71.8 million as of December 31, 2014.

Cash flow from investing activities

Cash flow from investing activities generally consists of cash outflows for investments in tangible and intangible assets as well as cash inflows from the disposal of fixed assets and financial assets.

In the three-month period ended March 31, 2016, our cash outflow from investing activities decreased by €16.9 million or 48.6%, from €34.8 million in the three-month period ended March 31, 2015 to €17.9 million in the three-month period ended March 31, 2016. The significantly higher cash outflows from investment activities in the three-month period ended March 31 2015 relate primarily to our acquisition of the production site in Troyes as described in more detail in "*—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" above.

In 2015, our cash outflow from investing activities decreased by €6.7 million or 6.9%, from €97.1 million in 2014 to €90.4 million in 2015, but remained on a relatively high level compared to earlier periods, primarily due to numerous cost optimization projects. In 2015, we also recorded a significant increase of proceeds from disposal of long-term financial assets by €15.6 million in connection with the disposal of our respective stakes in GC & WEPA and MKG. Cash outflows from investing activities in 2015 include significant payments to acquire entities included in the basis of consolidation, which increased by €4.4 million, from €19.5 million in 2014 (related to the purchase of Winfried Limited, which holds the 50% stake in our UK joint venture Northwood & WEPA) to €23.9 million in 2015 (mainly related to our acquisition of the production site in Troyes). For more detail on our expansion projects, our capital expenditures under our investment program as well as divestments in 2014 and 2015, see also "*—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" and "*—Key Factors Affecting our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*" above.

In 2014, our cash outflow from investing activities increased significantly by €47.6 million or 96.1%, from €49.5 million in 2013 to €97.1 million in 2014. This increase was primarily due to increased capital expenditures relating to an investment program for cost optimization as further described under "*—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" above.

For more information about our capital expenditures, see also "*—Capital Expenditures*" below.

Free cash flow

We define free cash flow as cash flow from operating activities less cash flow from investing activities. Free cash flow comprises the cash surplus or deficit after expenditure on investments and taxes but before net cash used in/provided by financing activities and before taking into account cash proceeds and payments relating to shareholders' equity and financial liabilities. The reasons for changes in the free cash flow are therefore the same as explained above. In the three month period ended March 31, 2016, our free cash flow increased by €19.9 million from a cash outflow of €14.6 million in the three month period ended March 31, 2015, to a cash inflow of €5.2 million in the three month period ended March 31, 2016. In 2015, our free cash flow increased by €12.3 million from a cash inflow of €1.8 million in 2014 to a cash inflow of €14.1 million for 2015. In 2014, our free cash flow decreased by €21.1 million or from a cash inflow of €22.9 million in 2013 to a cash inflow of €1.8 million in 2014.

Cash flow from financing activities

In the three-month period ended March 31, 2016, cash outflows from financing activities decreased by €0.6 million or 20.7% from a cash outflow of €2.9 million in the three-month period ended 2015 to a cash outflow of €2.3 million in the three-month period ended March 31, 2016, primarily as a result of lower repayments of loans and taking out (financial) credits.

In 2015, cash outflows for financing activities increased by €3.4 million or 10.1%, from a cash outflow of €33.5 million in 2014 to a cash outflow of €36.8 million in 2015, primarily as a result of a €4.2 million increase in dividends paid to our Parent, from €6.2 million in 2014 to €10.4 million in 2015, as well as €3.8 million in scheduled repayments of loans in 2015 (none in 2014). These increases in cash outflows were only partly offset by a €5.4 million decrease in interest paid in 2015, primarily because of one-off costs related to the termination of unused interest rate swaps in 2014.

In 2014, cash flow from financing activities decreased by €90.6 million, from net cash inflows of €57.1 million in 2013 to net cash outflows of €33.5 million in 2014. The significant net cash inflows in 2013 primarily related to the proceeds from the issuance of the Existing Notes, which were only partly off-set by payments for profit sharing rights and the repayment of our then existing financing arrangements in connection with our refinancing.

Capital Expenditures

We primarily finance our maintenance capital expenditures with cash flow from operations. From time to time, we also finance our expansion capital expenditures through borrowings. The following table sets forth our capital expenditures for the years ended December 31, 2013, 2014 and 2015:

	Year ended December 31,			Three-month period ended March 31,	Three-month period ended March 31,
	2013	2014	2015	2015	2016
				(unaudited)	
	(€ in thousands)			(€ in thousands)	
Capital Expenditures(1)	33,192	84,172	86,288	13,249	11,566

(1) Includes payments to acquire intangible and tangible fixed assets.

Our most significant drivers of capital expenditures relate to (i) maintenance, (ii) productivity improvements and (iii) capacity expansion.

In the three-month period ended March 31, 2016, our capital expenditures decreased by 12.7% to €11.6 million compared to our capital expenditures in the three-month period ended March 31, 2015. Capital expenditures in the three-month period ended March 31, 2015 included advanced payments for our two new paper machines in Lille and Giershagen, which commenced operation in August and October 2015, respectively.

For details about our expansion projects and our capital expenditures under our investment program in 2014 and 2015 and the expected total capital expenditures for certain ongoing and planned expansion projects, see "*—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*" above.

While we intend to continue to make prudent and controlled investments to further expand and improve the efficiency of our production facilities, we only intend to make any such investments if they meet the stringent investment criteria described under "*Business—Strategy—Maintain Our Position as a Leading, Low-Cost Tissue Producer in Europe through Private Label Strength and Controlled Investments*" and typically complete any such projects within approximately 12-18 months from original inception, which should normally allow us to adapt the amount of our capital expenditures in line with our projected mid-term cash requirement. Given this flexibility, our significant recent expansion capital expenditures and the relatively high asset quality of the majority of our production facilities, we believe we could significantly reduce the amount of our capital expenditures without compromising the overall high quality of our asset base, if necessary in response to market developments or to changes in our cash flow or financial condition.

Liquidity management and cash pooling

While we intend to primarily meet our liquidity requirements with cash generated from our operating activities, we expect to have sufficient capacity available under the Senior Revolving Credit Facility and under our ABS Program to be able to meet any additional operating requirements. Upon completion of the Offering and after giving effect to the transactions described under "*Use of Proceeds*", we expect to have undrawn capacity of €117.5 million under the Senior Revolving Credit Facility. While we do not expect there to be any outstanding drawings under the Senior Revolving Credit Facility as of the Issue Date, we expect to have used an amount of €7.5 million under the Senior Revolving Credit Facility in the form of payment guarantees provided pursuant to an ancillary facility. In addition, we expect to have the ability to sell certain additional receivables under the ABS program.

To manage our liquidity, we maintain a largely centralized cash management system, which includes all our subsidiaries. In particular, liquidity plans are prepared with the group budget on a monthly rolling period for a current fiscal year in which the expected cash receipts and payments for the specified time period are set off against each other. The upcoming 12 weeks are planned on a weekly rolling basis and include a deviation analysis. For the purposes of improved cash management, our German subsidiaries have implemented a central cash pooling system. This system comprises several cash pooling agreements with different banks. The balances resulting from the daily settlement of accounts are subject to customary interest rates. The general policy on subsidiary cash balances is to transfer these to the accounts of the Issuer. This takes place daily (by means of an IT-based cash-pool solution) or weekly (via a manual cash-pool solution) in the case of operating subsidiaries. We plan to integrate further foreign operating subsidiaries into the IT-based "daily sweep" cash pool.

OFF-BALANCE SHEET ARRANGEMENTS

The following discussion describes our material off-balance sheet arrangements, which consist of our ABS Program, as well as operating leases and guarantee lines.

ABS Program

We optimize our liquidity by selling a portion of our trade receivables as part of an off-balance asset-backed securities (ABS) program. Based on an agreement we originally entered into with Commerzbank AG and Raiffeisenbank International AG in 2014 for a 5-year term, we sell our trade receivables to a special purpose vehicle (named LuxST.) on a non-recourse basis in return for an immediate cash payment. In order to cover the credit risk, we are paid the nominal amount of the sold receivables minus pre-agreed reserve amounts, a purchase price discount and transaction costs, which are booked to the income statement. Trade receivables are sold on a revolving basis with a maximum aggregate transaction volume of currently €110 million. As of March 31, 2016, we had €80.8 million of receivables financed under our ABS Program.

Operating leases

For the year ended December 31, 2015, we had operating leases in an aggregate amount of €4.8 million. As of December 31, 2015, the future minimum lease payments under our existing operating leases were as follows:

	As of December 31, 2015		
	<1 year	1 to 5 years	> 5 years
	(€ in thousands)		
Minimum lease payments	4,682	5,526	—

Guarantee lines

We entered into a guarantee framework agreement with R+V Insurance in the amount of €5 million in 2012 and into another guarantee framework agreement with Euler Hermes AG in the same amount in 2014. So far, no payments have been made under such guarantees.

CONTRACTUAL OBLIGATIONS

As of March 31, 2016, on a *pro forma* basis to give effect to the issuance of the Notes and application of the proceeds therefrom as described under "*Use of Proceeds*" our third party financing arrangements would have been as follows:

	Commitments(1)						
	Total	<1 Year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 Years
	(€ in thousands)						
Notes offered hereby(2)	450.0	—	—	—	—	—	450.0
Senior Revolving Credit Facility(3)	—	—	—	—	—	—	—
Bilateral loans and other bank liabilities(4)	2.2	0.4	0.3	0.3	0.2	0.2	0.7
Warehouse lease arrangements(5)	19.8	4.7	4.1	5.8	1.9	3.1	0.2
Total Debt(6)	**472.0**	**5.1**	**4.5**	**6.0**	**2.1**	**3.4**	**450.9**

(1) As adjusted to give effect to the issuance of the Notes and application of the proceeds therefrom as described under "*Use of Proceeds*" as if the Refinancing had taken place at March 31, 2016.

(2) Principal amount of €450.0 million in accordance with German GAAP.

(3) On or about the Issue Date, the Issuer and the Guarantors entered into an amendment of the Senior Revolving Credit Facility which provides for up to €125.0 million of committed credit. See "*Description of Other Indebtedness—Senior Revolving Credit Facility*". We expect the Senior Revolving Credit Facility to be undrawn as at the Issue Date, except with regard to €7.5 million in payment guarantees provided pursuant to an ancillary facility under the Senior Revolving Credit Facility.

(4) Bilateral loans and other bank liabilities represent repayment and payment obligations under two separate loans of WEPA Kraftwerk GmbH, as borrower, from Volksbank Sauerland in the amount of €2.1 million and in an amount of €0.1 million for other bank liabilities. For more detail on the bilateral loans, see "*Description of Other Indebtedness—Bilateral Loans*".

(5) Warehouse lease arrangements consist of finance lease agreements with aggregrate lease payments of €19.8 million for the leasing of our high rack warehouses in Arnsberg, Giershagen and Mainz, as well as our block warehouse in Lille. For further information on these warehouse lease arrangements see "*Business—Warehouse Lease Arrangements*".

(6) Total Debt excludes off-balance ABS liabilities. See "*Description of Other Indebtedness*".

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of different market risks arising from our normal business activities.

Based on our assets, liabilities and pending and planned transactions, we are particularly exposed to risks arising from changes in exchange rates, interest rates and commodity prices, as well as credit risks, such as the risk of default by counterparties. Furthermore, solvency must be assured at all times (liquidity risk). The objective of risk management is to use appropriate measures to control these risks where they affect our cash flows. Derivative financial instruments are used only for hedging purposes. They are not used for trading or speculative purposes. Exchange effects resulting from the translation of financial statements in foreign currencies into our reporting currency are not hedged. The guidelines for risk hedging and their implementation are defined and continuously monitored by our Group Risk Management.

Raw material price risks

Raw material price risks result primarily from fluctuations in the prices of pulp and recovered paper. Due to the fact that fluctuations in the prices of raw materials often cannot be passed on to customers fully and/or in a timely manner, partial hedging is undertaken with commodity derivative instruments. Currently, these consist mainly of pulp forward exchange contracts, from which we receive payments or we transfer payments to that depend on the development of the pulp stock price, and are therefore protected against price increases with respect to the hedged raw material.

Energy price risks

Energy price risks result primarily from fluctuations in global energy prices and regulatory risks in Germany and other markets in which we operate.

Currency risk

We primarily generate our sales revenues in euro. Currency risk arises mainly on trade receivables and payable in foreign currencies, on planned future sales revenue in foreign currency, and on existing and planned future contracts for the supply of raw-material where the purchase price is in a foreign currency. In addition, we currently finance several of our foreign subsidiaries, including our Polish subsidiary WEPA Professional Piechowice SA, through external borrowings in euro. Throughout the years 2013, 2014 and 2015, there were currency risks mainly in the U.S. dollar, British pound and Polish zloty relative to the euro.

Interest rate risk

Currently, interest rate risks arise mainly on interest bearing liabilities that are denominated in euro. The ratio of fixed interest and variable interest liabilities is constantly monitored by Group Risk Management. We primarily manage interest rate risk through interest rate swaps or interest rate options.

Following completion of the Offering and the Transactions, we expect that our exposure to interest rate fluctuations will relate primarily to drawings under our €125 million Senior Revolving Credit Facility and to receivables financing under our ABS Program. Following completion of the Offering, we will evaluate the necessity of additional future interest rate hedging.

Credit risks

Credit risks arise mainly on trade receivables, bank balances and derivative financial instruments. In view of our broadly diversified customer list, which extends over various regions, the impact of from credit risk on trade accounts receivable is limited. Further, almost all of our trade accounts receivable are credit insured for nearly their full face value under credit insurance we purchase in connection with our ABS Program.

To minimize the credit risks from the operational business activity, transactions with external customers are only entered into after an internal credit check and a credit approval process. Based on the internal credit check, a limit for a maximum credit risk per customer is set.

SIGNIFICANT ACCOUNTING POLICIES

In preparing our consolidated financial statements, assumptions and estimates have been made which affect the amounts and presentation of the assets and liabilities recognized in the statement of financial position, income and expenses, and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of our assets and liabilities in future periods.

By "significant", we mean that the following accounting policies are both important to the portrayal of our financial condition and results and require management's subjective judgments, often as a result of the need to estimate the effects of matters that are inherently uncertain. We discuss the impact and risks associated with these significant accounting policies on our business operations throughout this discussion and analysis where such policies affect our reported and expected financial results. You should note that the preparation of our financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during each reporting period.

All assumptions and estimates are made according to the best of management's knowledge and belief in order to present a true and fair view of our net assets, financial position and results of operations. Since the actual values may, in individual cases, differ from the assumptions and estimates that were made, these are continuously reviewed. Adjustments to the estimates that are relevant for the financial statements are made in the period in which the change occurs, provided that the change relates only to this period. If the change relates not only to the reporting period but also to subsequent periods, the change is taken into account both in the period of the change and in the subsequent periods.

Capital Consolidation

Until 2009, capital consolidation was undertaken according to the book value method by offsetting the acquisition costs of the investment against the group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries that could be recorded were reflected at their book values regardless of the level of the minority share.

Starting in 2010, capital consolidation was undertaken for the first time by offsetting the acquisition costs of the investment against the group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation were disclosed and accounted for in accordance with the underlying Assets and Liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off. Remaining differences on the Liabilities side are treated in accordance with section 309, paragraph 2 of the German Commercial Code respectively German Accounting Standard GAS 4.

Differences from capital consolidation amounted to €30.0 million as of December 31, 2015.

Currency Translation

The assets and liabilities in the consolidated financial statements are converted at the prevailing exchange rates on the relevant reporting date, equity items at historic exchange rates and expenses and income at the average annual exchange rate during the relevant period. Resulting conversion differences are stated without affecting our operating result under the item "Difference in equity from currency translation" in equity. As a matter of principle, exchange rate changes in the case of intra-Group receivables and liabilities are recorded without an effect on our operating result.

Fixed Assets

Intangible Fixed Assets acquired against payment are capitalized at acquisition cost and, if subject to wear and tear, amortized over their estimated useful life using the straight-line method. Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, as according to our plans we assume long-term use of the acquired values. Current developments are reflected by extraordinary depreciation, if necessary.

Tangible Fixed Assets are valued at acquisition cost, taking into account ordinary depreciation. Extraordinary depreciation is taken into consideration in the case of a permanent impairment. Additions during the Fiscal year are depreciated pro rata temporis applying the straight line method.

Valuation of Inventories

The valuation of finished products is based on the reverse costing method by deducting any upcoming direct selling costs and distribution overheads as well as the profit margin from the net sales price.

Raw materials, supplies and merchandise as well as spare parts are valued at the lower of acquisition cost or market price. Semi-finished products are measured at production cost, these include in addition to direct manufacturing and material costs, appropriate portions of production-, material- and administration overhead costs. Interest on debt is not included in production costs. Inventory risks are taken into account by considering appropriate valuation allowances.

Receivables and other assets

Receivables and other assets are valued at the lower of the nominal value or the fair value as at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks, the general credit risk is covered by a general allowance.

Several companies of the WEPA group sell a portion of their trade receivables as part of an off-balance asset backed securities (ABS) program to a special purpose vehicle (named LuxST. Finance S.A.) on a non-recourse basis in return for an immediate cash payment. In order to cover the credit risk, we are paid the nominal amount of the sold receivables minus pre-agreed reserve amounts. A portion of the pre-agreed reserve amounts (so-called "default reserve"), the purchase price discount and transaction costs are recorded as expenses in our income statement. For a detailed description of our ABS Program, see "*Description of Other Indebtedness—ABS Program*".

Pension provisions

Pension provisions for vested and current pension obligations are calculated using the projected unit credit method based on the "Richttafeln 2005 G" (Generation Mortality Tables) of Professor Dr. Klaus Heubeck. They are calculated in accordance with Section 253(1) sentence 2 and Section 253(2) of the German Commercial Code (in similar application of IAS 19). Calculations are based on an Interest Rate of 3.92% as of December 31, 2015 (prior year: 4.66%).

Anticipated salary and pension increases are reflected at a rate of 2.0% and 2.0%, respectively. A fluctuation rate of 0.0% (prior year: 0.0%) was used.

Tax and Other Provisions

Tax and other provisions are considered for all identifiable risks and uncertain liabilities. They have to be assessed at the amount which is required to be paid according to a reasonable commercial assessment taking into account price and cost increases. Provisions with a remaining maturity of more than one year are discounted with the average market interest rate for the past seven years corresponding to their residual maturity.

For the determination of deferred taxes caused by temporary or quasi-permanent differences between the commercial and the tax-based valuation of assets and liabilities or caused by tax loss carryforwards and tax credits, the amounts of the highly probable future tax charges or tax reductions are calculated using the the company individual tax rates at the time the differences will be recognized, these amounts are not discounted. The capitalization of deferred taxes in the Financial Statements of the consolidated companies was applied in accordance with the existing disclosure option under Section 274(1) of the German Commercial Code. On differences resulting from consolidation measures deferred taxes are accounted for in application of section 306 paragraph 1 of the German commercial Code. As at December 31, 2015 the deferred tax assets and tax liabilities are offset against each other and the surplus is disclosed as deferred tax liabilities.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate, currency and commodity risks associated with realized, pending and planned underlying transactions.

Under German GAAP, the realized and pending underlying transactions can be recorded as valuation units with the related hedging transactions, either as a micro hedge or as a portfolio hedge. The same applies to planned transactions underlying a macro- or portfolio hedge. Under German GAAP, valuation units are valued individually as per the relevant balance sheet date.

We use the following valuation methods and assumptions in calculating the market value of our derivative fincancial instruments:

Currency forwards and currency swaps are valued at the forward exchange rate at the relevant balance sheet date. Options are valued using the Black-Scholes- or Binomial Models depending on their structure. Instruments designed to hedge interest rate and commodity risks are valued by discounting future cash flows. Discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against profit and loss at the time of payment or when accrued at the relevant balance sheet date.

According to German GAAP, a negative valuation result of the relevant hedging transaction leads to a provision for contingent losses, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

Effects of BilRuG

With effect as of January 1, 2016, certain changes have been introduced to German GAAP by the German Accounting Standard Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz*, "**BilRUG**") with regard to the preparation of financial information for any period beginning after December 31, 2015. The relevant changes introduced to German GAAP by the BilRuG mostly affect the presentation of our financial statements, such as the deletion of certain income statement lines, such as "extraordinary income", "extraordinary expenses", "extraordinary net income/loss" and "profit/loss on ordinary activities" as well as new income statement lines, such as "earnings after taxes". The new format for the presentation of our income statement introduced by the BilRUG is not reflected in the unaudited consolidated interim financial information of Wepa Hygieneprodukte GmbH as at and for the three-months period ended March 31, 2016 included in this offering memorandum to ensure comparability with prior periods.

In addition, the BilRUG introduced a new definition of "sales". As a result, we are now required to reclassify certain items as "sales" that we would previously have classified as "other operating income". The BilRUG does not require us to restate our financial information for any periods prior to January 1, 2016 to reflect this change. We have therefore not restated our sales and other operating income for the prior-year period. In the unaudited consolidated interim financial statements of Wepa Hygieneprodukte GmbH as at and for the three-months ended March 31, 2016 included in this offering memorandum, this results in an increase of EUR 0.8 million in sales revenues and a corresponding decrease in the other income compared to the accounting standards applied before January 1, 2016.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GERMAN GAAP AND IFRS

Our consolidated financial statements included elsewhere in this offering memorandum have been prepared on the basis of German GAAP, which differ in certain respects from IFRS. The following paragraphs summarize certain significant differences between German GAAP and IFRS as of December 31, 2015.

The organizations that promulgate IFRS have ongoing projects that could have a significant impact on future comparisons of German GAAP and IFRS. This description is not intended to provide a comprehensive listing of all such differences specifically related to us or the industry in which we operate. IFRS are generally more restrictive and more comprehensive than German GAAP regarding recognition and measurement of transactions, account classification and presentation and disclosure requirements. We have not attempted to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the consolidated financial statements or the notes thereto included elsewhere in this offering memorandum.

We have not prepared audited consolidated financial statements in accordance with IFRS. Accordingly, we cannot assure you that the differences described below would, in fact, be the accounting principles creating the greatest material differences between our consolidated financial statements prepared under German GAAP and under IFRS. In addition, we cannot estimate the net effect that applying IFRS would have on our results of operations or our financial position, or any part of them, in any of the presentations of financial information in this offering memorandum. The effect of such differences may be material and, in particular, it may be that the total shareholders' equity (capital deficit) and net income prepared on the basis of IFRS would be materially different due to these differences.

Financial Statement Presentation

Under IFRS, the presentation of the balance sheet is based on a current/non-current distinction of assets and liabilities. IFRS requires the presentation of assets and liabilities in order of liquidity only when a liquidity presentation provides information that is reliable and is more relevant than a current/non-current presentation. Under German GAAP, the presentation of the balance sheet is based on the liquidity of the assets and liabilities. This results, for example, in the different presentation of financial assets and liabilities and deferred taxes in the statement of financial position under IFRS and German GAAP.

Unlike IFRS, German GAAP does not require the presentation of the statement of comprehensive income and it is very common (but not required) that the income statement under the German GAAP will be prepared using the "nature of expense" method and not the "cost of sales" method, which is generally used in the IFRS financial statements. In addition, the disclosures required in the explanatory notes to the financial statements are far more extensive under IFRS than under German GAAP.

Under German GAAP, until December 31, 2015, presentation of the income statement permits the disclosure of items as "extraordinary" that incur outside ordinary business activities. Under IFRS, disclosure of any items of income or expense as "extraordinary", either in the income statement, other comprehensive income nor the notes is prohibited.

Consolidation Principles

Under IFRS, capital consolidation has to follow the acquisition method, with identifiable assets and liabilities being measured at their acquisition-date fair values.

Under German GAAP, capital consolidation was required to be reported using the carrying amount method until 2009. From 2010, the acquisition method and valuation by acquisition-date-fair values was introduced into German GAAP.

Under IFRS, an entity (investor) is required to consolidate another entity (investee), depending on whether it controls the investee. An investor controls an investee when it has a power over an investee, is exposed, or has rights to the variable returns from its involvement and due to his power can influence the amount of these variable returns. The consolidation conclusions under IFRS will not differ significantly from the German GAAP regulations for the most straightforward entities. However, some differences may arise where there are complex group structures or where specific entities have been established, for example, in connection with:

- Entities with a dominant investor without a majority of the voting or similar rights and where the rest of voting rights belongs to the widely-dispersed shareholders (de-facto control);
- Structured entities (formerly "special purpose entities") where voting or similar rights are not the dominant means to determine the power.

Under German GAAP, an investor is required to consolidate the investee if an investor holds the majority of voting rights, enjoys the right to appoint or dismiss the majority of the management and supervisory board members, enjoys the right to exercise a controlling influence on financial and operating policies or in substance obtains the majority of risks and rewards of an investee that has a narrow, well-defined purpose ("special purpose entity").

Business Combination

Under IFRS 3 acquisition related cost (transaction cost) that incurs to effect a business combination are accounted as expenses in the periods in which the costs are incurred and the services are received.

Acquisition-related costs are not part of the consideration transferred to the seller in return for the business; they are not part of the fair value of the acquired business; they do not represent an asset of the acquirer. Acquisition-related costs represent services that have been rendered to and consumed by the acquirer. As such, IFRS 3 states that they are accounted for as an expense when the acquirer consumes the related service.

Under German GAAP certain cost which have been incurred after the decision to acquire an entity qualify for capitalization and form part of the acquisition cost (e.g. due diligence cost, consultancy cost for valuation reports). All expenses incurred prior to the decision making have to be expensed as incurred.

Costs related to the issuance of financial liabilities are expensed as incurred. Optionally, interest-like expenses are capitalized and amortized over the term of the debt.

For purchase price allocation all identifiable assets, liabilities, and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of minority share. Under IFRS 3, goodwill acquired in a business combination, must be allocated to a cash generating unit (CGU) or group(s) of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows form other assets or groups of assets. Under German GAAP goodwill is allocated to the respective business unit to which it refers.

Under IFRS goodwill is not amortized but tested for impairment annually and if there is an indication that goodwill may be impaired.

The recoverable amount of the CGU is compared with its carrying amount. Recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of an asset or CGU is less than its carrying amount, an entity should reduce the carrying amount to the recoverable amount. The reduction is an impairment loss. For assets carried on the depreciated historical cost basis the impairment loss should be recognized in profit or loss immediately. For assets that are carried at revalued amounts an impairment loss is treated as a revaluation decrease. The loss is first set against any revaluation surplus relating to the asset in other comprehensive income to the extent of the surplus and the remaining balance of the loss (if any) is then treated as an expense in profit or loss.

German GAAP requires goodwill to be amortized over its economic life. Goodwill should be reviewed for impairment and its remaining useful life once a year. Goodwill is impaired if its carrying amount exceeds its fair value.

Property, plant and equipment

Under IFRS, the recorded acquisition cost of property, plant and equipment includes appropriate dismantling, removal and restoration costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are capitalized as part of the cost of that asset. Overhead costs, such as general and administrative costs and expenses for social services, voluntary social benefits and company pensions are not part of the production cost. Under IFRS, individual items within property, plant and equipment are frequently composed of different component parts with varying useful lives or consumption patterns. These parts are individually replaced during the useful life of an asset. Under IFRS, each such part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is recognised and depreciated separately (component approach). Costs of required and regular major inspections are capitalized and depreciated if it is probable that future economic benefits associated with the item will flow to the reporting entity and the cost of the item can be measured reliably. After initial recognition IFRS further offers an option to value items of property, plant and equipment at either the (lower) cost of the item less any accumulated depreciation and impairment or at its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment.

Under German GAAP, property, plant and equipment is initially valued at purchase or production cost and includes general and administrative costs and expenses for social services, voluntary social benefits and company pensions. Capitalization of costs directly attributable to the acquisition, construction or production of a qualifying asset is permitted, but not required (alternative treatment). The component approach is not specifically contemplated by German GAAP rules, but its use for balance sheet purposes is generally permitted. Costs of regular major inspections are recognised in the income statement as incurred. A revaluation model is not permitted. Costs of demolishing or restoring an item of property, plant and equipment do not qualify for capitalization but are required to be reported as provision over the item's useful life. After initial recognition, property, plant and equipment are accounted for at cost less any accumulated depreciation.

Government Grants

Under IFRS, government grants related to a particular asset are recorded on the balance sheet either as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under German GAAP, government grants related to a particular asset are recorded on the balance sheet either as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Alternatively, a grant may be recorded as other income in the income statement on the grant date.

Business Start-up and Expansion Expenses

Under German GAAP, expenses for the start-up and expansion of a business, if incurred prior to the end of 2009, were permitted to be capitalized and amortized over a period of four years in accordance with section 269 of the German Commercial Code (*Handelsgesetzbuch, HGB*). In the subsequent periods, a similar to IFRS accounting approach for recognition of the business start-up and expansion expenses is applied.

Under IFRS, expenses for start-up and expansion of a business do not qualify for capitalization and have to be expensed in the income statement at the time of incurrence.

Impairment of Assets

Under IFRS, an impairment loss is recognized if the recoverable amount of an asset is less than its carrying amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Under German GAAP, an impairment loss for non-current assets must only be recorded if a permanent impairment in value is anticipated. The concept of cash generating units is not applicable under German GAAP, and the impairment loss is determined on an item-by-item basis. An impairment loss is to be recognised when the carrying amount of an asset exceeds its fair value.

Provisions, Other Liabilities and Contingencies

Some provisions in the financial statements under German GAAP will be required to be reported as other liabilities in accordance with IFRS. Under IFRS, provisions are recognized if an enterprise has a present obligation as a result of a past event, it is probable (*i.e.,* more likely than not to occur) that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In cases where the outflow of economic resources is expected to occur, an obligation will be reported as a liability.

Under German GAAP, the criteria for the recognition of provisions and contingencies are less detailed and prescriptive than under IFRS. Accordingly, there is greater flexibility under German GAAP to record provisions for onerous contracts and restructuring expenses. In addition, German GAAP estimates are typically made in a more conservative manner. The recognition of a provision with a probability lower than 50% is possible. German GAAP requires the recording of provisions for deferred maintenance that is expected to be performed within three-month after the end of the reporting period, uncertain liabilities and expected losses from executory contracts. Long-term provisions (*i.e.,* with a maturity of more than one year) are discounted using a maturity matched average market interest rate for the preceding seven years as published by the German Central Bank (*Deutsche Bundesbank*).

Valuation of Assets and Liabilities; Currency Translation

Under IFRS, initial recognition and subsequent measurement of financial assets and liabilities—if qualified as financial assets and liabilities at fair value through profit and loss—is required at its fair value. Foreign currency receivables and liabilities are measured at fair value.

Under German GAAP, current financial assets are required to be recorded at acquisition cost and financial liabilities are required to be recorded at repayment cost. Current receivables and liabilities in foreign currency are measured at fair value. The valuation of non-current currency receivables and liabilities with a maturity more than one year has to be in line with lower of cost or market principle and higher carrying amount at the balance sheet date respectively.

Interest-Bearing Loans and Borrowings; Prepaid Expenses

Under IFRS, all interest-bearing loans and borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method.

Under German GAAP, interest-bearing loans and borrowings are recorded at their repayment amounts. Transaction costs, except for costs to be paid to the finance providers, are expensed as incurred. Only equivalent to interest transaction costs paid to finance providers are deferred as prepaid expenses and amortized on a straight-line basis to interest expense.

Leasing

Under IFRS, a lease has to be classified either as an operating lease or as a finance lease. A finance lease is a lease that transfers substantially all the risks and benefits incident to ownership of the leased item. For finance leases, the lessee records an asset and an obligation at an amount equal to the lower of the fair value of leased property and the present value of the minimum lease payments. Operating leases are expensed as incurred.

Under German GAAP, accounting for leases is mainly driven by tax regulations, so the lease contracts in Germany typically consider such rules in order to avoid capitalization at the lessee level. These rules differ from the IFRS rules in several respects.

Provisions for Pensions

Under IFRS, provisions for defined benefit pension obligations are accounted for under the projected unit credit method. The defined benefit obligation is measured using various actuarial assumptions, including assumptions as to future compensation and benefits levels. Under IFRS, the discount rate reflects the long-term view of the plan and not current rates that could be used to settle the pension obligation. This discount rate is derived at the reporting date based on then current capital market conditions. Under one of the options provided by IFRS, remeasurement gains and losses that result from changes in actuarial assumptions (including changes in mortality tables) or actual experience that differs from the underlying assumptions do not require recognition of gains and losses as components of net pension cost of the period in which they arise. Rather they are recognized in other comprehensive income, which will never be reclassified in profit or loss in the future.

Pension reserves under German GAAP are also be accounted for under the projected unit credit method since the enactment of the German Accounting Law Modernization Act in 2009. Under German GAAP, the discount rate used represents a maturity matched seven-year average interest rate. Alternatively provisions for pensions and similar obligations may be discounted at an interest rate with a 15 year maturity at the respective balance sheet date. Beginning in 2016, a maturity of 10 years will be applicable. The interest rates to be applied are published by the Federal Bank of Germany. In addition, German GAAP requires recognition of the remeasurement gain or losses in profit and loss and not as other comprehensive income as required under IFRS.

Deferred Taxes

Deferred tax assets (DTA) and deferred tax liabilities (DTL) are the income taxes recoverable or payable in future years. They are mainly based on the taxable or deductible temporary differences between the carrying amount of an asset or liability and the respective tax base. Due to the IFRS accounting principles, the carrying amount of an asset or liability can differ from the amount under German GAAP. Accordingly the respective deferred tax assets and liabilities change as well.

Under German GAAP, net DTL must be recognized in full, while the recognition of net DTA is optional. Unlike German GAAP, IFRS does not provide an option to capitalize net DTA and, therefore, both net DTA and net DTL have to be recognized in the respective period.

Under IFRS, DTA shall also be recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available. Under German GAAP, the capitalization of DTA for loss carryforward shall only be taken into consideration if the tax benefit from the tax loss carryforward can be expected to be recovered within the next five years.

Derivative Financial Instruments and Hedging

Under IFRS, derivative financial instruments are recorded in the consolidated balance sheets at fair value (mark-to-market). Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and reclassified to profit or loss for the period when the forecast transaction being hedged occurs. Under IFRS, the criteria to be met to qualify for hedge accounting are quite strict. This includes stringent documentation requirements.

Under German GAAP, there is more flexibility to include forecast transactions in hedge accounting. Further, there is no need to separately account for fair values of derivative financial instruments that qualify for hedge accounting (net hedge presentation method).

INDUSTRY AND COMPETITION

The following overview of the European market for tissue paper was prepared based on independent third-party reports and publicly available data from reputable industry organizations. Certain information in the following overview has been obtained from official and non-official third-party sources believed by the Issuer to be reliable. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of information included and it should not be relied upon. As certain economic data may have been collected on a sample basis or estimated by the authors of the relevant reports, all figures included in this section should be assumed to include estimated information.

Any forecasts and assumptions included in this overview section are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, the risks and uncertainties inherent in the market for tissue paper, recovered paper and de-inked pulp as described in more detail under "Risk Factors—Risks Related to Our Business" starting on page 25.

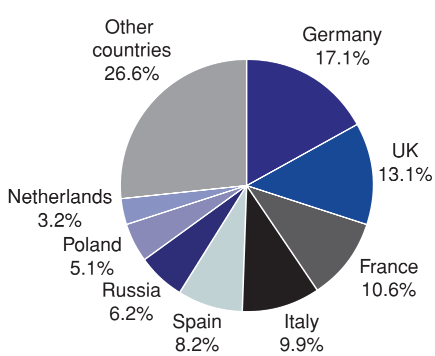
Prospective investors in the Notes should note that no independent verification has been carried out of any facts or statistics that are directly or indirectly derived from official and non-official third-party sources. The Issuer believes that the sources of the information in this section are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false, inaccurate or misleading or that any part has been omitted that would render such information false, inaccurate or misleading. However, neither the Issuer nor the Joint Lead Managers nor their respective affiliates, directors and advisors and other persons or parties involved in the Offering make any representation as to the accuracy of the information from official and non-official third-party sources, which may not be consistent with other information. Accordingly, prospective investors in the Notes should not place undue reliance on the information contained in this section and should conduct such independent investigation and analysis regarding the market for tissue paper as they deem appropriate to evaluate the merits and risks of an investment in the Notes.

*We have generally obtained the market and competitive position data in this offering memorandum from industry publications. In particular, we used data extracted from industry consultant RISI, Inc. ("**RISI**")—Outlook for World Tissue Business (10 year) Forecast (July 2015) report if not otherwise stated differently.*

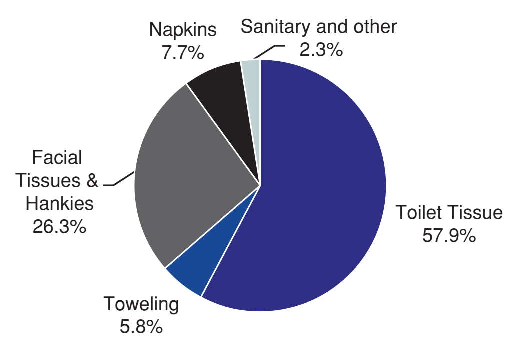
EUROPEAN TISSUE MARKET

Germany is the biggest Western European market for tissue products and comprised approximately 22% of the Western European market with a demand of 1,393 kt in 2013. The Western European market experienced a growth of 1.3% per annum in tissue consumption between 2003 and 2013 on average. The demand for tissue products in the region is expected to grow broadly in line with historical growth levels between 2013 and 2023 according to the RISI-Report estimates. This increasing demand is expected to be driven by population growth, demographic changes, development in tissue quality (e.g. the shift from two-ply to three or four-ply products and softer toilet tissue despite of reduced fiber quantity per sheet), new product specifications, limited substitution of products and increases in product penetration levels.

Total European[1] tissue demand split-2013



Total European[1] product split-2013



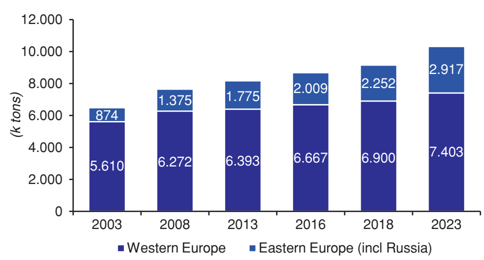
Source: RISI Report

(1) Including Eastern Europe

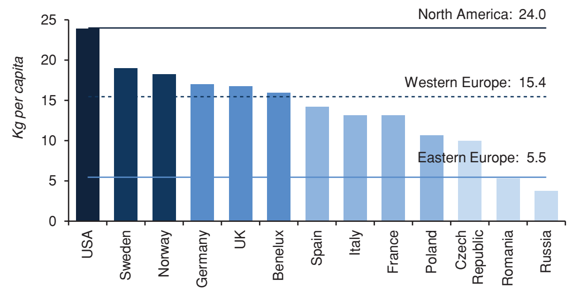
We also compete in the Eastern European market for tissue products with a sizeable presence in Poland which is the second biggest market in the region and comprised approximately 23% of the Eastern European market with a demand of 414 kt in 2013. The Eastern European market registered a growth of approximately 7.3% per annum in tissue consumption between 2003 and 2013 on average. The demand for tissue products in the region is expected to grow at an average annual rate that continues to be significantly higher than in Western Europe between 2013 and 2023 according to the RISI Report. This demand is expected to be driven by economic growth, population developments, increasing urbanization, the penetration of Western European retailers into the Eastern European retail market and the increase of per capita consumption levels to average Western European levels, partly driven by the expansion of Western European retailers in Eastern Europe.

In Western Europe, average per capita consumption increased from 12.2 kg in 1998 to 15.4 kg in 2013, which, however was still approximately 9 kg less than the per capita consumption in North America. Sweden led the region with a per capita consumption of 19.1 kg while Germany experienced a per capita consumption of approximately 17 kg in 2013. In Eastern Europe, average per capita consumption increased from 1.7 kg in 1998 to 5.4 kg in 2013, which, however was still significantly less than the levels in Western Europe and North America.

Forecast of tissue demand 2003-2023



Per capita consumption: 2013 breakdown



Source: RISI Report

The European tissue market can be divided into two main market segments: the Consumer (or at-home) segment which represented approximately 73% of total European demand of 8,168 kt in 2013 and the AfH segment, which constituted approximately 27% of the 2013 demand.

CONSUMER SEGMENT

The Consumer segment accounted for approximately 72% of tissue consumption in Western Europe in 2013. The upgrading of product quality has helped the Consumer segment to grow further, among others, through the shift towards three and four-ply toilet tissue in Central European countries such as Germany, the Netherlands, Belgium and Austria. The Consumer segment experienced an average annual growth of 1.4% in demand during 2003 and 2013 and is expected to grow at a comparable average annual growth rate between 2013 and 2023 according to the RISI Report. Toilet tissue is the biggest end-market product within the Consumer segment and in 2013, represented approximately 64% of the total consumption in the segment in Western Europe.

In Eastern Europe, the Consumer segment accounted for approximately 77% of tissue consumption in 2013. The segment experienced an average annual growth of 8.0% in demand during 2003 and 2013 and is expected to grow at a lower average annual growth rate of 4.9% between 2011 and 2022 according to the RISI Report. Toilet tissue dominates the Consumer segment, accounting for 74% of total consumption in 2013.

AWAY-FROM-HOME (AFH) SEGMENT

Unlike the Consumer segment, AfH products are not delivered to the end customer via larger retailers, but via typically smaller, regional distributors specialized in professional hygiene solutions. These distributors serve end customers such as industrial companies, hotels, restaurants, health care providers and other customers with public washrooms.

The AfH segment accounted for the remaining 28% of tissue consumption in Western Europe in 2013. The AfH segment experienced an average annual growth of 1.0% in demand between 2003 and 2013 and is expected to grow at an average annual growth rate of 1.7% between 2013 and 2023 according to the RISI

Report. Hand towels represent the biggest end-market product within the AfH segment and represented 43% of total consumption within the segment in 2013.

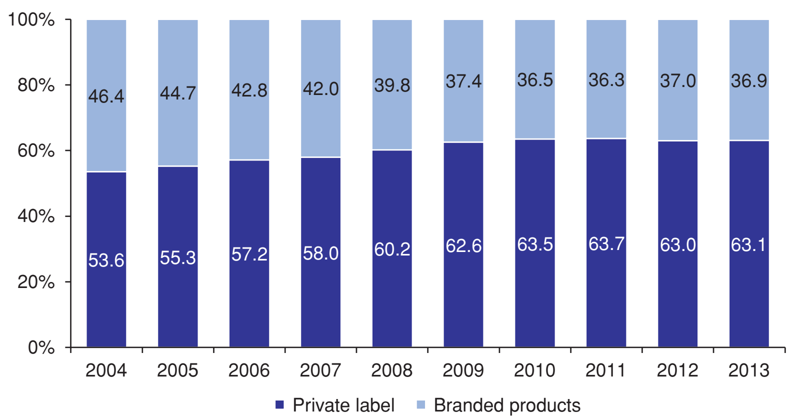
In Eastern Europe, the AfH segment accounted for approximately 23% of tissue consumption in 2013. The segment registered an average annual growth of 12.4% in demand during 2003 and 2013 and is expected to grow at an average annual growth rate of 5.8% between 2013 and 2023, according to the RISI Report. Toilet tissue dominates consumption within the AfH segment and accounted for 38.6% of total consumption in 2013.

PIVATE LABEL VS. BRANDED

The tissue industry is further classified between private label and branded products. Private label tissue products are marketed and sold through retail stores under retailers' own in-house labels. The share of private label products has shown continuing growth in most European countries with currently approximately 63.4% of total tissue products being sold under private labels across Western Europe in 2013. This is partly driven by the continued expansion of European retailers, especially discounters. Germany has one of the highest shares of private label products as compared to branded products in Europe, with approximately 84.4% share. The private label sector, in general, has proved more resilient in times of economic downturn compared to branded products. Differences exist between countries in their mix of private label versus branded tissue products due to the concentration (and in effect, negotiating power) of retailers, the position of discounters in the distribution chain, the traditional market dominance of a few brand owners, product margins and pricing decisions, the level of brand advertising and consumer attitudes. In Western Europe, Spain, Germany and Belgium have the highest share of private label products as compared to branded products (all more than 80%), while Finland and Norway have a significantly higher share of branded products.

In terms of products, the average Western European volume share of private labels increased from 54.6% in 2004 to around 63.4% in 2013 when calculated with reference to all consumer tissue product categories. The chart below shows the development of private labels using toilet tissue, the largest category for both our Group and the market, as an example. Here, amongst the different countries within Western Europe, Germany had the highest private label volume share of toilet tissue at 87.5% in 2013, whilst Finland had the lowest private label volume share of toilet tissue at 23.0%. Kitchen rolls, facial tissue and table napkins also have a higher volume share of private labels as compared to branded products and stood at an average of 65.7%, 61.2% and 66.9% respectively in 2013 (RISI Report).

Toilet Tissue: Private Label development (Western Europe)



Sources: RISI—Outlook for world tissue business forecast (2009, 2013 and 2015)

In Eastern Europe, private label shares are already at a rather high level in the Czech Republic, Slovakia, Hungary, and also more recently in Poland. This is understandable as retailing is well concentrated in the hands of international chains. The private label share seems to be particularly high in kitchen towels, which resembles the situation in Western Europe. The private label share of Poland for toilet tissue, kitchen rolls, facial tissue and table napkins in 2013 stood at 61.0%, 65.4%, 69.4% and 26.5% respectively, according to the RISI Report.

COMPETITION

Private label tissue manufacturers compete by way of tender procedures conducted by the respective retailers on a yearly basis. Tissue manufacturers with the best tenders would typically be invited to a subsequent round of negotiations where prices are further discussed and ultimately agreed. Therefore, cost leadership—together with the ability to produce large volumes of a wide variety of products in a timely manner—is one of the key competitive advantages in our market.

Western Europe

In Western Europe, the top five players account for more than two-thirds (approximately 66.8%) of the tissue product market (across at-home and away-from-home and private label and branded products). SCA continues to be the largest Western European tissue supplier with a production capacity share of approximately 31.7% according to the RISI Report. WEPA currently ranks third in Western Europe with a market share of approximately 8.5% according to RISI.

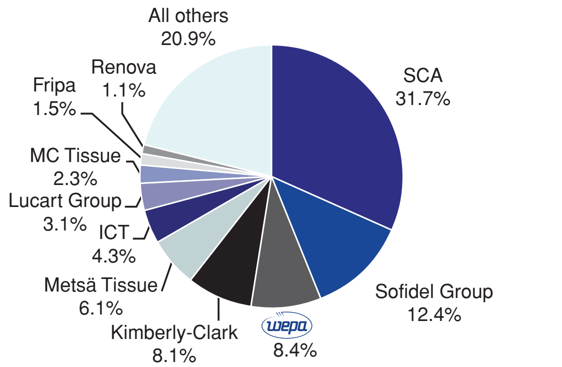
There has been an ongoing consolidation process in the Western European tissue industry in the past and the industry has experienced several ownership changes since 2007. The degree of overall consolidation increased until 2012 but has since declined due to some mill closures and divestments to other investors. The most notable transactions have been SCA's acquisition of Georgia-Pacific's European tissue business in 2012, which created a clear market leader; Sofidel's acquisition of LPC Group of the United Kingdom in 2010, which strengthened Sofidel's position in the UK market and provided access to the Nordic region and SCA's acquisition of Procter & Gamble's entire European tissue operations in 2007. Similarly, we acquired most of the assets of Kartogroup in 2009 and recently the former Lucart S.p.a. plant in Troyes, France, in 2015. In addition, Kimberly Clark is likely to further divest in the European consumer tissue segment which may add to the ongoing consolidation process.

Eastern Europe

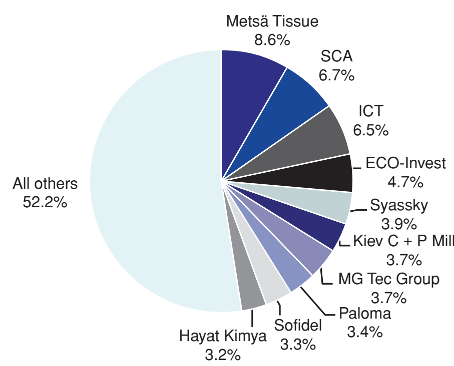
Metsä Tissue is currently the largest Eastern European tissue product supplier, following its acquisition of the Tento mill in Slovakia in 2006, with 8.6% of market share in production capacity.

Unlike Western Europe, the Eastern European market is relatively fragmented as none of the producers control more than 10% of the region's capacity. The top five manufacturers (Metsä Tissue, SCA, Industrie Cartarie Tronchetti, ECO-Invest and Syassky) have a combined market share of approximately 30%.

Western Europe production capacity shares (2015)



Eastern Europe production capacity shares (2015)



Source: RISI Report

DEMAND/SUPPLY BALANCE

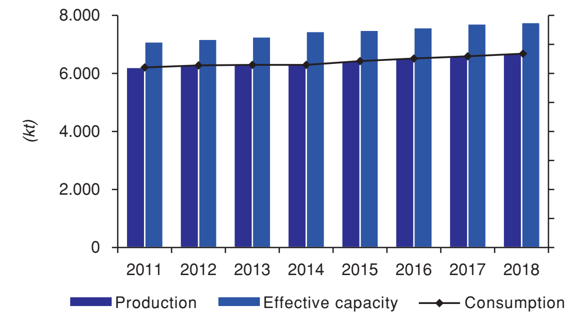
Western Europe

Between 2003 and 2013, Western European tissue production grew by about 870,000 tons, mainly in line with consumption. During the same period, investments in Germany and Spain had increased production substantially, and these two countries accounted for the highest production increases, passing France and Italy, which previously had the largest production expansion. The total installed tissue capacity in Western Europe in the middle of 2013 was 7.3 million tons. Currently, the region is a net exporter of tissue products. Considerably grown exports to Eastern Europe in recent times have enhanced this development. Further, manufacturers more focused on branded products, such as Kimberly Clark, are adjusting production capacity in light of the strong growth in the private label sector in Western Europe. The region is expected to remain a net exporter of tissue products in the short term with average capacity utilization rates expected to remain around 90% during 2014-2018. In the medium term, the region is expected to return to a balanced situation and perhaps to a small net importer by 2018. New capacity typically requires a lead time of approximately of 18-24 months to become operational. As there are several paper machines potentially planned in the near future, we expect an increase in production capacity during the next years.

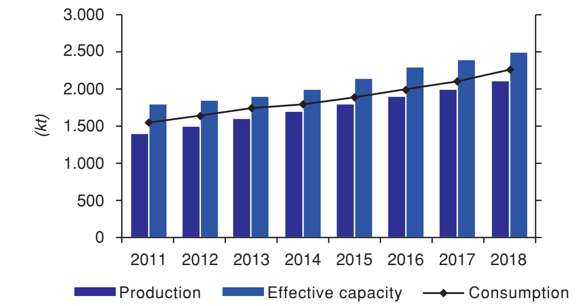
Eastern Europe

Eastern European tissue production more than doubled from 864,000 tons in 2003 to 1.67 million tons in 2013 according to the RISI Report. The increase took place mainly in Russia, followed by Poland, the Ukraine and Romania. Eastern Europe exported more tissue than it imported until the mid-1990s, with Western Europe as the main destination. Since then, however, there has been an increasing demand for imports of high quality products in the Eastern European market. As a result Eastern Europe is currently a net importer of tissue products and is expected to remain a net importer in the near term. The capacity utilization rate reached its ten-year peak at about 88% in 2013-2014 but is expected to decline until 2018. The total installed tissue capacity in Eastern Europe in spring 2015 was 2.16 million tons.

Western Europe tissue demand and supply development



Eastern Europe tissue demand and supply development



Source: RISI Report

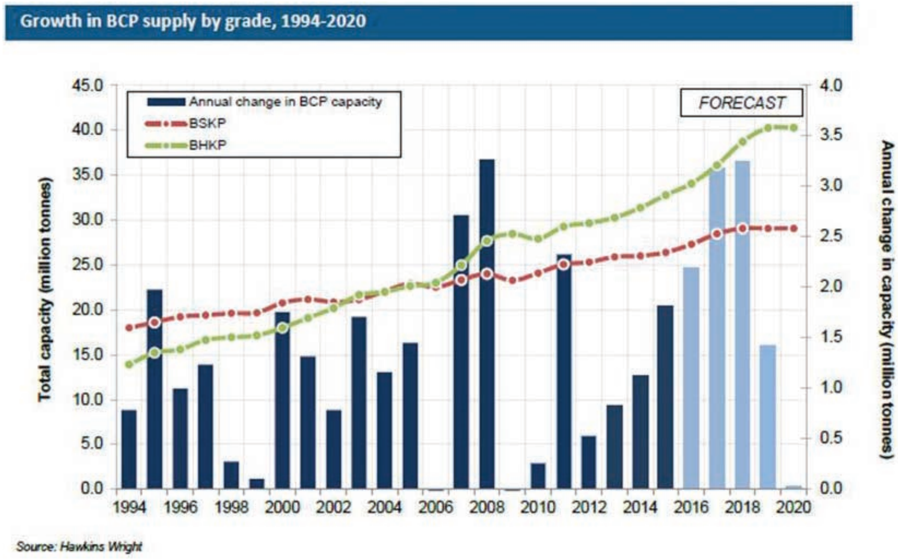
RAW MATERIAL MARKET

Pulp is one of the principal raw materials required to manufacture tissue paper and is traded on the international market. Pulp is classified according to the type of wood or fiber from which it is made (hardwood or softwood), the manner in which it is processed (chemical or mechanical process) and whether and how it is bleached. Alternatively, tissue paper can be manufactured from recycled fiber.

Pulp

During the past years the tissue industry has reacted to market price developments of the main pulp grades by gradually changing the mix of the different grades, to the extent the respective paper grade quality was not compromised by those technical changes. As shown below, hardwood grades are most often less expensive than softwood grades, so e.g. WEPA has increased the hardwood share in its virgin fibre furnish to more than 70%, whereas in past years it was less than 50%. However it needs to be considered that not only the price but also the availability of pulp grades is in play.

Along with the ever increasing demand for paper in emerging markets, especially Asia, the global production capacity for market pulp has grown significantly. Those capacity additions have been closely adjusted to the market growth, so no major oversupply was observed in the past years, even though that had been expected by the leading analysts.

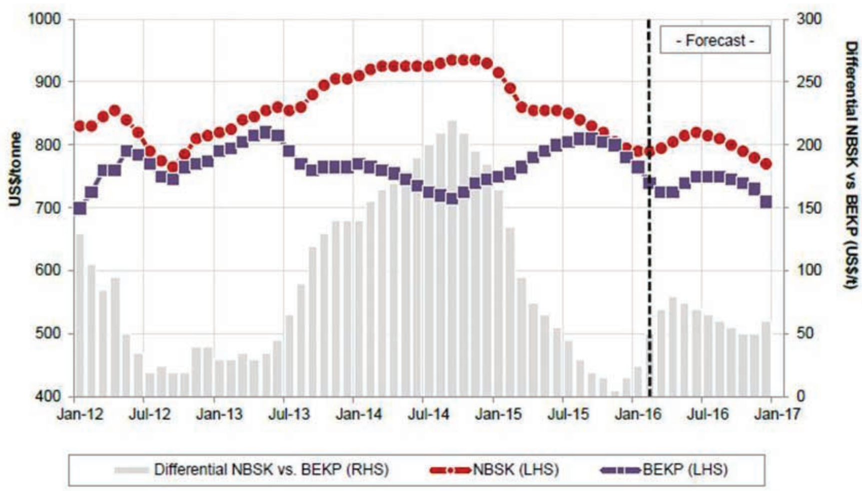


Source: Hawkins Wright, Price Forecast Update for pulp (March 2016)

According to Hawkins Wright ("Outlook for Market Pulp", March 2016), global market BCP demand was growing by about 2.3% during 2015 and similar growth is expected during the near future, despite the fact that some segments of the paper industry are actually declining.

As shown above the supply side is expected to match that growth also in the next years, with a certain probability that—at times—markets might be oversupplied for certain periods of time.

NBSK and BEKP price forecast (US$/tn, cif Europe) to 2017



Source: Hawkins Wright, Price Forecast Update for pulp (March 2016)

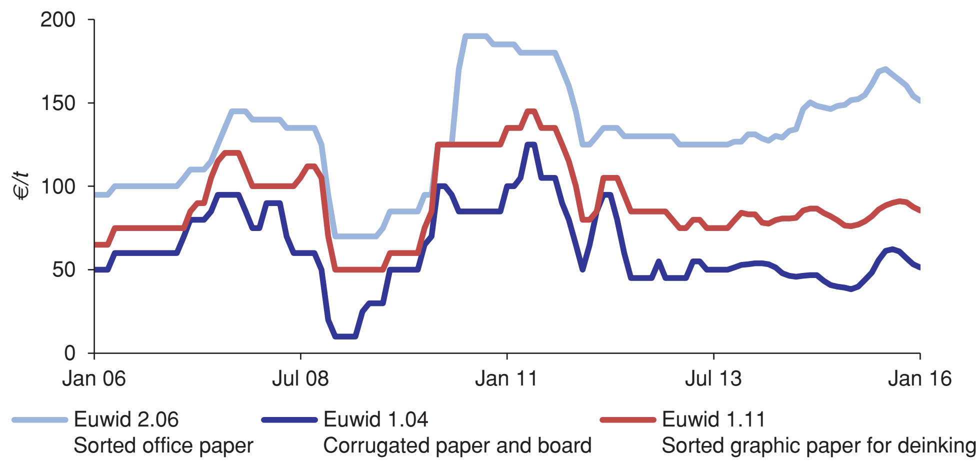
Pulp being the key raw material for tissue, the price development of pulp has a significant influence on the price of tissue paper. However, changes in pulp prices can only be passed through with a lag as tissue prices are usually fixed on a yearly basis.

RECOVERED PAPER

Recovered paper is an alternative raw material used in manufacturing tissue paper. As opposed to pulp it is a more regionally traded commodity. Even though a world market does exist, the international trading activity is prone the F/X- and local supply and demand relationships. Regional oversupply as in North America cause regular exports towards Asia, whereas recently the export activity out of Europe has been little due to the local demand as well as a strong Euro which made exports unattractive. The use of recovered paper in the production of tissue presents several advantages including lower cost and sustainability aspects (lower water and energy consumption in the overall production).

WEPA procures more than 80% of its recovered paper from the German market. The chart below shows the development of recovered paper prices in Germany since 2006. While the prices remained relatively stable during 2006-2007, the economic downturn led the prices to bottom-out by mid-2009 before starting to rebound again on the back of growing demand. More recently, the prices have remained relatively stable over the last twelve months.

Price development in recovered paper (for deliveries in Germany)



Source: Euwid (March 2016)

Due to technical aspects like cleanliness and brightness, the so-called "office paper grades" are the preferred raw material for the production of tissue paper made from recycled. The availability of these grades, e.g. SOP (sorted Office Paper), is limited to an extent that also today WEPA cannot satisfy its demand solely from these grades.

Decrease in office paper production and consumption will influence the availability and increase competition. Increased demand might come from other paper segments than tissue, e.g. from packaging paper, who strive for better paper quality and brightness.

BUSINESS

OUR COMPANY

Overview

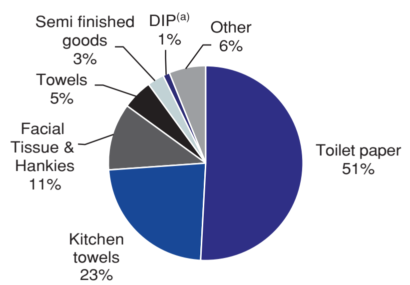
We are a leading, family-owned producer and supplier of tissue products in Europe with a market share (by production volumes) of approximately 25% in Germany and approximately 7% in Europe, according to "Outlook for World Tissue Business (10-Year Forecast) 2014-2015" published by RISI in July 2015 (the "**RISI Report**"). The tissue market exhibits resilient demand characteristics with low product substitution risk. We are the third largest producer of tissue products in Europe and we believe we are the second largest private label tissue producer in Europe, in both cases, by volume. Private label tissue products are marketed and sold by our customers through their retail stores under their own in-house labels. We believe private label products offer higher growth potential than branded products.

We are headquartered in Arnsberg, Germany, and operate 19 paper machines and 85 converting lines in eleven production sites strategically located across Europe in Germany, Italy, France, Poland and, through Northwood & WEPA (our joint venture with Northwood Paper), in the United Kingdom. Our annual tissue production capacity is 720,000 tons and our annual tissue converting capacity is 670,000 tons (in each case including Northwood & WEPA). Approximately 55% of our production and 46% of our converting capacity is located in Germany, our core market and Europe's largest tissue market. We also own technically advanced facilities for the production of de-inked pulp from recovered paper, with an annual capacity of more than 200,000 tons. In 2015, we sold more than 583,000 tons of finished tissue products, 25,000 tons of jumbo reels and 15,000 tons of de-inked pulp across Europe, which generated €924.9 million and €125.1 million of revenue and EBITDA, respectively. During the fiscal year ended December 31, 2015 we employed an average of 2,816 employees, excluding Northwood & WEPA and excluding GC & WEPA (our former joint venture with Goma Camps in Spain). In the three-month period ended March 31, 2016, we sold 148,000 tons of finished tissue products, 7,000 tons of jumbo reels and 2,000 tons of de-inked pulp across Europe, which generated approximately € 238.7 million and €33.5 million of revenue and EBITDA, respectively. During the same period, we employed an average of 2,884 employees.

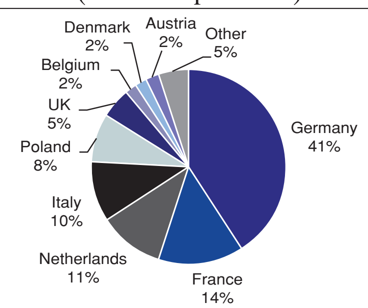
We offer a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels as well as semi-finished products (i.e. jumbo reels and de-inked pulp). Toilet paper and kitchen towels accounted for 74% of our revenues in 2015 and for 71% of revenues in the three-month period ended March 31, 2016.

Sales Breakdown 2015

By Product

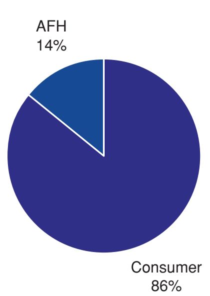


By Geography
(Finished products)

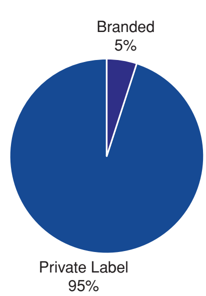


(a) DIP: De-inked pulp (recycled waste paper)

By Division
(Finished products)



Branded vs. Private Label
(Consumer division only)



We operate our business in two divisions, Consumer and Away-from-Home ("**AfH**"). Consumer, which represented 86.4% of our revenues from finished products in 2015 and 87.2% in the three-month period ended March 31, 2016, focuses on the German and the wider European retail sector. Consumer products are primarily branded under our customers' private labels and comprise mainly toilet paper, kitchen towels, facial tissues, handkerchiefs and napkins. The strategy of our Consumer division is to focus on the private label sector, although it also markets some products under its own brands such as Mach mit..., Comprami, Perla and Scala. AfH, which has a more regional focus within Central Europe and Poland, focuses on sales to large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. AfH offers a broad range of tissue products under our own "WEPA" brand and under our customers' brands, including toilet paper and paper towels, as well as dispenser systems for use in washrooms and cleaning.

Consumer and AfH together supply approximately 230 customers. Consumer serves most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, Netto, REWE and Rossmann in Germany, Auchan, Carrefour, Casino and Leclerc in France, Coop and Eurospin in Italy, Biedronka in Poland and, through our UK joint venture Northwood & WEPA, Sainsbury and Tesco in the United Kingdom. AfH serves leading distributors in the professional hygiene sector, such as GVS eG and igefa in Germany, cash & carry wholesalers as well as distributors for office supplies. We have long-standing relationships with most of our key customers, some dating back more than 30 years.

Our Strengths

We believe that we benefit from the following strengths:

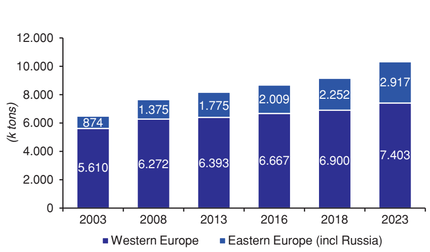
Leading Market Positions

We are the third largest tissue producer in Europe and the second largest tissue producer in our core market of Germany, in both cases based on volume, according to the RISI Report and taking into account the 32,000 tons of additional annual paper production capacity acquired in connection with our acquisition of the production site in Troyes effective March 1, 2015. Unlike many of our competitors, who serve both the branded and private label sectors, we focus on the key private label sector. We believe we are the second largest manufacturer of private label tissue products in Europe based on volume. We believe our European network of eleven strategically located production sites, our significant investments into expanding and optimizing our production capabilities as well as our high quality products make us an attractive partner for large retailers across Europe. In addition, we believe we are the leading producer by volume of recycled tissue products in the consumer sector in Europe, and we own technically advanced facilities for the recycling of recovered paper in Arnsberg, Giershagen and Mainz, with an annual capacity of more than 200,000 tons of de-inked pulp production. We use most of the de-inked pulp that we produce in the production of our own recycled and hybrid (i.e. using both virgin pulp and de-inked pulp) tissue products. We also have the capability to dry and prepare up to 80,000 tons of any surplus de-inked pulp for sale to third parties. These capabilities make us a leader in recycled and hybrid tissue products and particularly well positioned to offer our customers ecologically sustainable products. In addition, we believe our significant scale, purchasing power and geographic coverage gives us a competitive advantage over smaller players and the ability to compete with other leading players in the market.

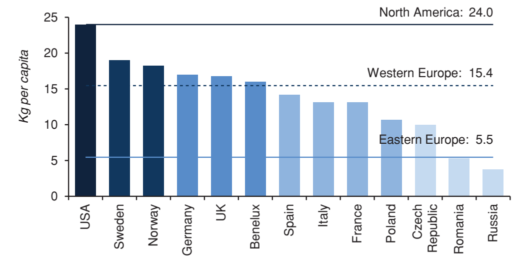
Attractive and Resilient End-Markets

Our core tissue products benefit from utility-like consumer demand, with high penetration rates, low substitution risk and resilient demand characteristics. According to RISI, between 2003 and 2013, consumption of tissue products in Western Europe grew by 1.3% per annum and in Eastern Europe by 7.3% per annum, with demand for our core products remaining stable during the 2008-2009 recession. For the period between 2013 and 2022, RISI expects the growth rate of tissue consumption in Western Europe to be broadly in line with historical growth levels, and growth rates in Eastern Europe to continue to substantially exceed rates in Western Europe. Current consumption levels in Western Europe are still substantially below other developed regions such as the United States, and consumption levels in Eastern Europe are significantly below Western Europe. We believe that demographic changes, increased urbanization, higher product penetration levels, and developments in tissue quality and softness (such as multi-ply products) will continue to underpin continuing demand growth for our products.

Forecast of tissue demand 2001-2022



Per capita consumption: 2013 breakdown



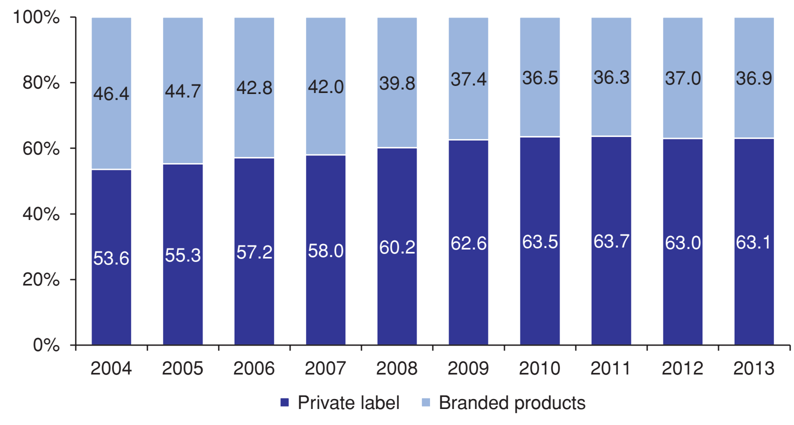
Source: RISI Report

Focus on Key Private Label Sector

We believe we are the second largest tissue producer in Europe by production volume in the key private label sector, which dominates our core market of Germany (representing 84.4% of the overall German tissue market in 2013) and many other European countries where we operate. In recent years, private label tissue products have gained market share in Western Europe relative to branded products, increasing from 57.8% in 2007 to 63.4% in 2013, a trend that was also seen in our largest product category, toilet paper, according to the RISI Report. This increase has been driven by the expansion of discount retailers such as Aldi and Lidl in Germany, who primarily sell own-label goods (private label), as well as by consumers substituting higher-priced branded products with lower-priced private label products of comparable quality. We believe that our focus on the private label sector positions us well to capture growth opportunities in this resilient and key market and makes us a particularly attractive partner for our key customers. As a private label specialist, our customers can be confident that our interests are aligned and that we are fully committed to helping them strengthen their own in-house brands.

The toilet tissue market has been indicative of the wider tissue market's shift from branded to private label products. The following chart shows the steady increase of the market share of private label toilet paper, which accounts for roughly half of the general tissue market, between 2004 and 2013 in Western Europe.

Toilet Tissue: Private Label development (Western Europe)



Sources: RISI—Outlook for world tissue business forecast (2009, 2013 and 2015)

Broad, Strong and Long-Standing Customer Base

We have established a strong and long-standing customer base, with some of our customer relationships dating back more than 30 years. We have grown with our large German customers as they have expanded across Europe and have also successfully entered into new relationships with key customers outside of Germany. Today, we supply approximately 230 customers in our two divisions, including most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, Netto, REWE and Rossmann in Germany, Auchan, Carrefour, Casino, ITM and Leclerc in France, Coop and Eurospin in Italy, Biedronka in Poland and, through our UK joint venture Northwood & WEPA, Sainsbury and Tesco in the United Kingdom. The customers of our AfH division include the leading distributors in the professional hygiene sector (such as GVS and igefa in Germany), cash & carry wholesalers as well as distributors for office supplies. We believe that our ability to provide high-quality, cost-effective and innovative products has enabled us to benefit from a trend among major retailers to consolidate their supplier bases and work with larger partners that have the scale and quality to supply retailers efficiently across their key markets. We are able to foster strong partnerships of mutual dependence with our customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. Our strong customer relationships are reinforced through a combination of our geographic coverage, our manufacturing and logistics excellence, and our significant past and ongoing investments into expanding and optimizing our production capabilities. We believe that there are only very few alternative suppliers with the capacity and geographic proximity that would enable them to provide a competitive offering and to replace us as a strategic supplier to many of our key customers.

Strategically Located Production Facilities

We operate eleven production sites strategically located across Europe in Germany, Italy, France, Poland and, through Northwood & WEPA, in the United Kingdom. This network largely mirrors the footprint of our key pan-European customers and thus enables us to supply our customers in a timely and cost-effective manner. Mainly due to proportionally high freight costs relative to the value of products shipped, it is not economical for participants in our industry to supply customers more than a certain distance from a particular production site. The alignment of our production sites with the geographic footprint of our major customers is therefore an important competitive and cost advantage. In addition, our geographic footprint allows us to reduce delivery times and typically, to guarantee delivery to our customers within 48 hours from the receipt of an order. Our geographic footprint reduces our inventories by shortening the supply chain which lowers our storage and transportation costs. It also allows us to tailor individual production sites to target the specific needs of the customers in the relevant region, which improves product offering, service quality and reliability. One of the key rationales behind our recent expansion projects and ongoing investment program is the further optimization of logistics flows and freight costs within our European network and to be able to supply our key customers even more efficiently across their key markets. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*".

Low Cost Production via Efficient Asset Base

We have invested €237 million in our business over the last three years to help ensure that we have efficient production facilities that allow us to compete effectively against other tissue manufacturers. In particular, we believe that our production site in Leuna is one of the most modern and efficient tissue production and converting facilities in Europe for toilet paper and kitchen towels, as is Kriebstein with regard to handkerchiefs and facial tissues, and Giershagen with regard to the processing of recovered paper.

To maintain and further strengthen our position as a leading, low cost tissue producer in Europe, we have made a number of investments in recent years and are in the process of completing a number of additional investments which we expect to further improve the efficiency of our production facilities. For example, we successfully commenced operations of two new and highly efficient paper machines in Lille and Giershagen in August and October of 2015, respectively, which has allowed us to insource additional paper capacity and thereby to both reduce purchases of jumbo reels from third-party suppliers and further optimize logistics flows and freight costs within our European network. In addition, we are already in the process of installing another new and highly efficient paper machine at our production site in Piechowice, with production currently expected to commence in the first quarter of 2017. During 2014 and 2015, we have also already invested in several new converting lines at our production sites in Kriebstein, Müschede and Piechowice and, in late 2015, we placed orders for four additional converting lines at our production sites in Leuna, Müschede and Kriebstein as well as at our newly acquired production site in Troyes.

Our well-invested, high quality and operationally efficient asset base provides us with investment flexibility and allows us to produce a high quality, consistent product in a cost-effective manner.

Strong Financial Track Record

As part of our Continuous Improvement Process, we successfully implemented a series of cost reduction and efficiency improvement initiatives in recent years. In addition, we successfully completed a number of recent expansion and other investment projects and have developed and implemented a balanced risk management strategy.

As a result of these and other factors, we have managed to continue to significantly improve our profitability and cash position. In particular, we have managed to increase our EBITDA from €97.7 million in 2013, to €110.3 million in 2014 (excluding non-recurring other operating income of €7.5 million in connection with the acquisition of our stake in our UK joint venture), €125.1 million in 2015 and €130.2 million in the twelve-month period ended March 31, 2016. During the same period, our EBITDA margin (calculated by dividing EBITDA by total operating performance) improved from 11.4% in 2013 to 13.8% in the twelve-month period ended March 31, 2016. This improvement in our profitability is also reflected in a steady growth in our cash flow from operating activities, from €72.5 million in cash inflows in 2013, to €98.9 million in 2014, €104.5 million in 2015 and €107.5 million in the twelve-month period ended March 31, 2016. Combined with our controlled investment strategy, which should normally allow us to adapt the amount of our expansion capital expenditures in line with our projected mid-term cash requirement, we believe we are in a strong financial condition to weather and/or adapt to challenges that may face us or our industry as a whole.

Experienced Management and Committed Family Shareholders

Our company was founded in 1948 by Paul Krengel, and the WEPA Group continues to be 100% owned by members of the Krengel family. We believe this family link and the strong personal and financial commitment from our owners ensures a focus on stability and long-term value generation. Martin Krengel, in particular, has overseen the growth of the business through his role as our Chief Executive Officer and has been involved in the business since 1985. The strong personal and financial commitment of our family shareholders is augmented with a strong and highly-experienced management team with extensive industry experience, including experience with the company. Our top operational managers have gained extensive industry experience at leading companies in Germany and abroad. In addition, the Supervisory Board of WEPA Industrieholding SE, our Parent company, is comprised of members with extensive senior management experience at leading German companies as well as significant knowledge of our business.

Our Strategy

Maintain Our Position as a Leading, Low-Cost Tissue Producer in Europe through Private Label Strength and Controlled Investments

We intend to continue to leverage our leading position in the private label tissue market and capitalize on the ongoing growth of the private label tissue market through overall market growth and the sustained shift in market share from branded to private label products. In addition, to maintain and further strengthen our position as a leading, low cost tissue producer in Europe in the long-term, we intend to continue to make prudent and controlled investments to further expand and improve the efficiency of our production facilities, as long as (i) we are confident we can achieve payback periods for our investments that are aligned with the maturity profile and relevant headroom under our financing arrangements, (ii) we maintain sufficient financial flexibility to weather and/or adapt to challenges that may face us or our industry as a whole, and (iii) any such investments would be consistent with our long-term target leverage.

We have historically generated significant revenue growth through organic development as well as a series of acquisitions. Our primary focus will continue to be on organic growth, however, we will continue to evaluate any investment opportunities, including in the private label market, by considering the needs of our customers, our existing geographical footprint, the competitive landscape in our markets and our stringent investment criteria.

Broaden and deepen our partnerships with key customers

We intend to broaden and deepen our customer relationships by building on our existing reputation for providing high-quality, cost-effective products as a core component in our customers' supply chains. We will continue to enhance our product portfolio through the development of product innovations and improvements in response to customer demand, such as developing product lines like hybrid tissue products or, when economical, creating bespoke designs, for our major customers. Further, we will continue to position ourselves as a fundamental part of our customers' supply chain. By maintaining and improving our reputation for reliability and consistent delivery of high-quality products, we aim to achieve or maintain, as applicable, strategic supplier status (i.e. top-three supplier) with our key customers, thus further entrenching our position.

Balanced Risk Management to Increase Resilience

While our core tissue products benefit from utility-like demand, a number of our key input costs (including our costs of raw materials and energy costs) are affected by price fluctuations in the commodities, energy and currency markets, which can be volatile. Other factors outside our control can materially adversely affect our results of operations and financial condition.

To increase our financial resilience and flexibility and the ability to weather and/or adapt to challenges that may face us or our industry as a whole (e.g. rapid increases in pulp or energy prices or increased competition), we are pursuing a balanced risk management strategy, which relies on short- to mid-term hedging measures, our ability to preserve cash in the mid-term through the adaptation of the amount of our capital expenditures, a stable financing structure and long-term improvements to our profitability and cash generation, including through further controlled investments as well as cost-reduction initiatives implemented as part of our Continuous Improvement Process, which is described in more detail under "—*Continuous Improvement Process*" below.

In particular, we have developed a hedging strategy designed to limit our exposure to short- to mid-term fluctuations in the price of pulp, exchange rates and energy prices. Following completion of the Offering and the proposed application of the proceeds therefrom, we will also benefit from a stable, long-term financing structure and significant flexibility and headroom under both the Conditions of Issue and the Senior Revolving Credit Facility, that we expect to allow us to weather any reasonably foreseeable short- to mid-term deterioration in our financial condition or results of operations.

In addition, while we intend to continue to make prudent and controlled investments to further expand and improve the efficiency of our production facilities, we only intend to make any such investments if they meet the stringent investment criteria desribed under "—*Maintain Our Position as a Leading, Low-Cost Tissue Producer in Europe through Private Label Strength and Controlled Investments*" above and typically complete any such projects within approximately 12-18 months from original inception, which should normally allow us to adapt the amount of our capital expenditures in line with our projected mid-term cash requirement. Given this flexibility, our significant recent expansion capital expenditures and the relatively high asset quality of the majority of our production facilities, we believe we could significantly reduce the amount of our expansion capital expenditures without compromising the overall high quality of our asset base, if necessary in response to market developments or to changes in our cash flow or financial condition.

Continuous Improvement Process

The Continuous Improvement Process is a systematic and ongoing program intended to maintain our position as a cost leader in the tissue industry in Europe through continuous improvements to our profitability and cash position. As part of this Continuous Improvement Process, we are currently executing several specific initiatives focusing on portfolio optimization, production, supply chain, purchase optimization, general organization, and our operations in Italy, respectively.

As part of our Continuous Improvement Process, we are continuously working to further (i) optimize our customer and product mix by focusing on higher-margin customers and products, (ii) optimize our supply and delivery chains and generally improve efficiency, including through an improved allocation model for accepting and processing customer orders, increased standardization of our product offering and optimization of batch sizes to increase machine capacities, (iii) increase the efficiency of our production facilities through continuous modernization and capital investments and (iv) optimize our procurement processes, including by fully leveraging our purchasing power across the WEPA Group with our suppliers and by optimizing our supplier portfolio.

We have made significant progress in optimizing our customer and product portfolio. In 2012, we launched a program to optimize our contract portfolio by focusing on higher-margin customers and products. We established minimum gross profit margin requirements for different categories of customers, based on the importance of the relevant customers to the WEPA Group, both in terms of total sales volumes as well as strategic considerations. As a result, we (i) try to phase-out certain customers and products that do not meet the relevant minimum gross profit margin requirements; (ii) replace the resulting reduction in sales volumes with increased sales to pre-identified target customers with higher gross profit margins; and (iii) reduce overall complexity of our business through a reduction in the number of our customers and product families. These initiatives have led to improved profitability notwithstanding an initial negative effect on revenues. Since the beginning of the program in 2012, we have managed to replace more than 50,000 tons of private label sales volumes with higher margin sales.

In addition, we have also implemented a number of measures designed to optimize our supply and delivery chains and to generally improve the efficiency of our production process. To reduce our production and logistics costs, we use an advanced system of client and logistical mapping, which allows us to identify inefficiencies and areas for cost improvement. Many of the investments we have made in recent years address inefficiencies and potential areas for cost improvement we have identified in this way, including our investments in the two additional paper machines in Lille and Giershagen, which have already allowed us to reduce purchases of jumbo reels from third-party suppliers and to further optimize logistics flows and freight costs within our European network. Our past and proposed investments in additional converting lines as well as investments in new technology in our packaging areas and in logistic dispatch systems also allowed us to further reduce costs and improve efficiency. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Expansion Projects and Investment Program*".

To help us improve our cost efficiency, we have already significantly increased standardization of both semi-finished products (e.g. jumbo reels) and finished products (resulting in the reduction of waste when converting jumbo reels into finished products) and we continue to target further optimization of batch sizes (resulting in enhanced machine capacity due to reduced set-up times). We have already seen significant benefits from these measures in terms of reduced waste, enhanced machine capacity, reduced freight costs as well as a reduction of inventory levels and working capital requirements.

In an effort to generally reduce complexity and to further improve our operational flexibility and efficiency across the WEPA Group, we are in the process of analyzing all our processes with the goal of further optimizing them, including through increased standardization and automation. In addition, we continue to work intensively on continuous improvement activities covering different areas such as energy, procurement, portfolio optimization and supply chain.

History

We were founded in 1948 by Paul Krengel as a wholesaler of wrapping, gift wrapping and cupboard lining paper. Five years later, we expanded our product range by installing our first automatic converting machine for the production of hygiene paper products, such as toilet paper. In 1958, we started our own tissue paper production with our first paper machine, and since then, we have continuously invested in the development of our production sites. By the end of the 1980s, we were increasingly focusing on recovered paper and had become one of the leading producers of recycled tissue products.

In 1990, shortly after the German reunification, we founded WEPA Sachsen in East Germany, initially as a 50/50 joint venture until we bought out our joint venture partner in 2001. In 2004, we installed one of the then fastest state-of-the-art kitchen towel converting line in Europe at our production site in Giershagen. In 2006, we continued to grow by acquiring a tissue paper production and converting site in Mainz, Germany, from Kimberly Clark and the Polish tissue producer Fabryka Papieru Piechowice SA (FPP) with a production site in Piechowice, Poland.

In December 2009, we acquired the majority of the assets of the former Kartogroup, an Italian tissue company. By adding production sites in Italy, France and Germany, the acquisition allowed us to create a production network across Europe that more closely matched the geographic footprint of our key customers and to improve our supply chain and logistics. Further, our expanded geographic footprint strengthened our sales position and the loyalty of our fast-growing European customers. In addition to entering the Italian market, we also gained new customers, particularly in the Benelux region, France and Eastern Europe, expanded into napkin products and increased our purchasing power.

In response to a deterioration of our results of operations and financial condition between 2010 and 2011, we decided to develop and implement a comprehensive profitability and liquidity improvement program ("**Continuous Improvement Program**") and to restructure certain parts of our business to ensure the long-term success of the WEPA Group. The Continuous Improvement Program focused on (i) portfolio optimization, (ii) the optimization of our supply chain and production, (iii) liquidity improvement and other cost reduction opportunities, and (iv) an upgrade of our controlling, reporting and IT functions. Following the completion of the restructuring and the realization of all of the targets from the measures we have taken under the Continuous Improvement Program, we have transitioned the Continuous Improvement Program into a systematic and ongoing Continuous Improvement Process ("**Continuous Improvement Process**") intended to establish the WEPA Group as a cost leader in the tissue industry by further improving our profitability and cash position. For details, see also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Process*".

In 2014, we acquired the co-generation power plant located adjacent to our site in Giershagen, Germany, which provides 41.5% of our electric power and 100% of our steam requirements in 2015 for such site by using the residual materials from our recycling processes in Arnsberg and Giershagen as a source of thermal energy. In addition, we acquired a 50% stake in Northwood & WEPA, a 50:50 joint venture originally established in 2013 by members of the Krengel family (the owners of the WEPA Group) and members of the Fecher family (the owners of Northwood Paper) in the United Kingdom. Northwood & WEPA operates a production site in Bridgend/ South-Wales (UK) and produces private label toilet paper and kitchen towels for the UK and Irish markets.

The latest addition to our network of production sites was the acquisition of the fully-integrated former Lucart plant in Troyes, France, in 2015, which allowed us to significantly strengthen our market position in the French private label market, to further optimize logistics and freight costs and to further increase our production flexibility by significantly increasing our paper production and converting capacity in France.

In addition to these aquisitions, we have made significant investments in our existing facilities in recent years. During 2014 and 2015, we invested in several new converting lines at our production sites in Kriebstein, Müschede and Piechowice. In 2015, we also successfully commenced operations of new paper machines in Lille, France, and Giershagen, Germany. Further, we recently placed orders for another new and highly efficient paper machine at our production site in Piechowice, Poland, and for four additional converting lines at our production sites in Leuna, Müschede and Kriebstein as well as at our newly acquired production site in Troyes.

CONSUMER DIVISION

Overview

Our Consumer division generated €766.9 million in sales revenues, which represented 86.4% of our total sales revenues from finished products in 2015 and focuses on the production and distribution of tissue products for the German and wider European retail sector, primarily branded under private labels of our customers. Our customers include major national and multi-national retail and drugstore chains. Although we also market products under a number of our own consumer brands such as, Mach mit..., Comprami, Scala and Perla, our strategy has been to focus on the so-called "private label" business, i.e. tissue products that are being marketed and sold by our customers through their retail stores under their own retail labels.

Private label products accounted for approximately 95% of total sales revenues by Consumer in 2015 while branded products accounted for approximately 5%. Private label products represent by far the largest share of the overall tissue market in many of the markets in which we operate. While the market share of private label products has stabilized at high levels in some markets, it continues to grow in other markets. In 2013, for example, private labels accounted for an estimated 84.4%, 67.4% and 80.2% of the overall tissue market by volume in Germany, France and Belgium, respectively, according to the RISI Report. With the exception of the tissue markets in Italy, the Netherlands, Finland, Norway and the UK, branded products accounted for less than 50% of the tissue market, according to the RISI Report. We believe our focus on the key private label market allows us to benefit from the growth potential in this market segment as well as from economic slowdowns when there is an increasing trend for consumers to buy less expensive private label tissue products. Although private label products are often positioned as low cost alternatives to regional, national or international brands, they are typically of comparable quality and several private labels have recently been positioned as "premium" brands, putting further pressure on the market for branded tissue products.

Products

We sell a broad range of tissue paper products in our Consumer division, with a focus on toilet paper, kitchen towels, handkerchiefs, facial tissues and napkins. Our production and converting facilities allow us to produce tissue paper products to a broad range of specifications. Our product range includes tissue products with varying layers, additives (e.g. chamomile for toilet paper and balsam for handkerchiefs), colors, decorations, sizes, embossments and packaging sizes. For consumers with a focus on both sustainability and quality, we recently developed our new WEPA hybrid products. WEPA hybrid products are premium, primarily virgin pulp tissue products with a limited portion of de-inked pulp, thereby improving the environmental footprint of such products significantly compared to pure virgin pulp products.

In addition to private labels, our own consumer brands include Mach mit..., Comprami, Perla and Scala. In our markets in Southern Europe, we have a significant presence with our Perla and Scala brands, which we acquired as part of the Kartogroup in 2009. Perla, Scala and Comprami are well-known brands in the Italian tissue market, each with a broad assortment of products intended to meet the needs of private consumers.

Customers

We have established a strong and long-standing customer base with some of our customer relationships dating back more than 30 years. We have grown with our large German customers as they have expanded across Europe and have also successfully entered into new relationships with key customers outside of Germany. Today we supply approximately 90 customers in our Consumer division, including most of the leading retailers in each key country where we operate such as Aldi, dm, Edeka, Lidl, Müller, Netto, REWE and Rossmann in Germany, Auchan, Carrefour, Casino and Leclerc in France, Coop and Eurospin in Italy, Biedronka in Poland and, through our UK joint venture Northwood & WEPA, Sainsbury and Tesco in the United Kingdom, which includes most major European retailers. In 2015, our ten largest customers and our five largest customers accounted for 53.9% and 38.3% of our sales revenues in 2015 in the Consumer division, respectively.

We have established long-term business relationships with the majority of our largest customers. In accordance with market practice, our business relationships are not governed by long-term agreements with fixed prices and purchase amounts and our customer contracts do generally not provide for automatic price adjustments. More than 50% of our total sales volumes are subject to framework agreements with our retail customers, which allow these customers to place orders "on demand". The prices under these agreements are usually fixed for the duration of the agreement, which is typically one year. Although these agreements generally do not contain minimum purchase obligations, demand levels are typically stable and we are in regular contact with our customers to ensure we have reasonable visibility over sales volumes for the upcoming year.

"AWAY-FROM-HOME" DIVISION

Overview

Our AfH division generated €120.4 million in sales revenues or 13.6% of our total sales from finished products in 2015. We offer a broad range of tissue paper products both under our own "WEPA" brand and under our customer's brands, including paper towels, toilet paper, industrial rolls as well as dispenser systems for use in washrooms and for cleaning by large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. Geographically, our AfH division is focused on Central Europe and Poland, with our AfH business in Germany remaining the most significant country of operations.

In order to emphasize the importance of professional buyers and to better meet the needs of our customers, we established a dedicated sales unit for our AfH division and founded WEPA Professional GmbH & Co. KG (now: WEPA Professional GmbH) in January 2006. WEPA Professional GmbH has its own, dedicated management, marketing, customer service and sales team that focuses on our AfH business. The dedicated AfH sales & marketing team consists of 21 people centrally steering the sales marketing and customer service activities from our headquarters in Arnsberg. In addition, we have dedicated production facilities for AfH specialty products at our production sites in Müschede, Germany, and Piechowice, Poland, but we also produce certain products at other paper mills also for AfH customers.

Products

Our product range in the AfH division includes a wide tissue paper range mainly for washroom applications, such as paper towels and toilet paper, as well as paper rolls for cleaning by large commercial and institutional customers. These products are primarily being marketed under the "WEPA" brand and supported by a proprietary range of dispenser systems, in addition to private label offerings for large wholesalers. Paper towels are, by far, the most important product group within the AfH division, accounting for 37.7% of its sales volumes in 2015, followed by toilet paper and industrial rolls.

Customers

The products offered by our AfH division are mainly distributed via specialized wholesalers for cleaning products (such as GVS eG and igefa), office supply companies and cash & carry wholesalers. In total, we supply approximately 140 customers in our AfH division. Ultimate buyers of our AfH products include government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. Our agreements with our AfH customers generally resemble the agreements we enter into with customers in our Consumer division.

OTHER BUSINESS ACTIVITIES

Aside from the sale of tissue products to our customers in the Consumer and the AfH division, we also generate sales revenues from the sale of de-inked pulp and jumbo reels to approximately 60 customers.

Sale of Jumbo Reels

While we primarily produce tissue paper for our own needs, we also sell excess jumbo reels to other tissue paper producers. Our customers include tissue paper converting companies and tissue paper manufacturers that require jumbo reels of certain specifications, such as recycled paper. Other tissue paper producers buy jumbo reels from us to reduce their own logistics costs. In 2015, our sales revenue from jumbo reels amounted to €25.3 million, accounting for 2.7% of our total revenues. The amount of jumbo reels sold to third parties varies and primarily depends on our demand for jumbo reels as well as the demand for and supply of jumbo reels within our Group.

Sale of De-inked Pulp

We own technically advanced facilities for the recycling of recovered paper at our sites in Arnsberg, Giershagen, Mainz and Lille. These sites have an annual production capacity of more than 200,000 tons of de-inked pulp. De-inked pulp is produced as another alternative raw material next to to virgin pulp and is made from recovered paper. It serves as a key ingredient of recycled and hybrid tissue paper products. While most of the de-inked pulp produced by us is used for the manufacture of our own tissue paper products, we sell excess amounts to other paper manufacturers in the tissue and other paper industries, such as manufacturers of corrugated cardboard, and we have the capability to dry and prepare up to 80,000 tons of any surplus volumes for sale to third parties. The volume of these sales depends on excess capacities, and the selling radius is limited to Germany and its neighboring countries. Customers include Smurfit, Fripa or Technokarton and in 2015, we sold approximately 15,000 tons of de-inked pulp across Europe, which generated approximately €7.7 million in revenues, accounting for 0.8% of our total revenues that year. The amount of de-inked pulp sold by us to third parties varies and primarily depends on our own internal demand for de-inked pulp.

PRODUCTION FACILITIES AND OTHER PROPERTIES

Our production facilities are located in Germany, France, Italy, Poland and, through Northwood & WEPA, in the United Kingdom. Including Northwood & WEPA, we currently operate 19 paper machines and 85 converting lines at eleven production sites. Our joint venture Northwood & WEPA operates one paper machine and six converting lines at the site in Bridgend/South-Wales (UK). All sites are vertically integrated and can handle the entire production process from raw material (i.e. mainly pulp) to the finished tissue products.

We have an overall annual production capacity of 669,000 tons and an overall annual converting capacity of 595,000 tons, in each case excluding Northwood & WEPA. Approximately 55% of our total production capacity is located in Germany where we have a combined annual paper production capacity of approximately 395,000 tons and an annual converting capacity of approximately 398,000 tons at five different production sites. Three of these production sites are located in Western Germany, serving primarily customers in Germany as well as in the Benelux countries. Our two production sites in Eastern Germany also primarily serve the German market as well as customers in Poland and the Czech Republic.

After completing a reorganization of our Italian business by closing, selling and consolidating certain facilities and moving converting capacity to other sites of our Group in 2013 and 2014, our production sites in Italy currently have a combined annual paper production capacity of approximately 115,000 tons and an annual converting capacity of approximately 85,000 tons. The production and converting capacities are focused towards supplying the Italian market. Surplus paper production is either shipped to support demand for jumbo reels at other sites of our Group or sold to third parties within the Italian market. In 2016, we decided to focus the operations of our Cassino plant on rolled products and those of our Salanetti plan on folded products. In addition, we plan to establish our Salanetti plant as a Group-wide competence center for napkin production.

Our production site in Lille, France, has an annual paper production capacity of approximately 92,000 tons and an annual converting capacity of approximately 86,000 tons. The site serves primarily the French market as well as the Benelux countries and some parts of Western Germany. In early 2015, we completed the acquisition of the former Lucart plant in Troyes, France. The paper production and converting capacity of Troyes is approximately 32,000 tons and approximately 42,000 tons, respectively. We plan to relocate one additional converting line from our production site in Kriebstein to Troyes in 2016. In addition, we plan to install a new high-performance converting line dedicated for toilet paper production as well as additional storage capacities for jumbo reels and auxiliaries by the end of 2016. The production site in Troyes serves mainly the French market.

Our gateway to the Eastern European market is our Piechowice plant in Poland. It has an annual paper production capacity of approximately 33,000 tons and an annual converting capacity of approximately 73,000 tons. This production and converting site currently serves as a cost-efficient manufacturing base for exports both to Western and Eastern European countries, but it has also begun to convert high quality products for the Polish market. Our paper machine in Piechowice produces crêpe paper jumbo reels for our paper towel production and the converting lines in Piechowice also convert jumbo reels produced at other sites into toilet paper and kitchen towels. In 2016, we commenced with the construction works for a new tissue paper machine in Piechowice.

Through our joint venture Northwood & WEPA, we operate an additional plant in Bridgend/South-Wales (UK). The site has an annual paper production capacity of 52,000 tons and an annual converting capacity of approximately 75,000 tons. Northwood & WEPA serves primarily customers in the United Kingdom.

The following table provides an overview over our manufacturing sites:

Location	Size (land)	Property owned/leased	Annual Production/ Converting Capacity (in tons)	Use
Arnsberg, Germany	88,000 sqm	Owned/Warehouse: Leased	Production: 65,000 Converting: 59,000	• Headquarters (office space) • Recycling of recovered paper • Paper production • Converting (toilet paper, industrial rolls, hand towels) (including AfH) • Warehouse
Giershagen, Germany	270,000 sqm	Owned/Warehouse: Leased	Production: 125,000 Converting: 101,000	• Paper production • Converting (toilet paper, kitchen towels) • Warehouse
Kriebstein, Germany	24,000 sqm	Owned	Production: 85,000 Converting: 34,000	• Office space • Paper production • Converting (handkerchiefs, facials) • Warehouse
Mainz, Germany	94,500 sqm	Owned/Warehouse: Leased	Production: 58,000 Converting: 55,000	• Office space • Recycling of recovered paper • Paper production • Converting (toilet paper) • Warehouse
Leuna, Germany	182,900 sqm	Owned	Production: 65,000 Converting: 60,000	• Office space • Paper production • Converting (toilet paper, kitchen towels) • Warehouse
Piechowice, Poland	149,300 sqm	Hereditary Building Right	Production: 33,000 Converting: 73,000	• Office space • Paper production • Converting (toilet paper, kitchen towels, hand towels) (incl. AfH) • Warehouse
Lucca, Italy				
—Fosso Ralletta	19,175 sqm	Owned	Production: 62,000	• Office space • Paper production
—Salanetti	92,145 sqm	Owned	Converting: 54,000	• Converting (toilet paper, kitchen towels, napkins, hand towels, handkerchiefs, facials) • Warehouses
Cassino, Italy	195,943 sqm	Owned	Production: 52,000 Converting: 31,000	• Office space • Paper production • Converting (toilet paper, kitchen towels, napkins) • Warehouse
Lille, France	57,000 sqm	Owned/Warehouse: leased	Production: 92,000 Converting: 86,000	• Office space • Paper production • Converting (toilet paper, kitchen towels, handkerchiefs, facials) • Warehouse
Troyes, France	280,000 sqm	Owned	Production: 32,000 Converting: 43,000	• Office space • Converting (toilet paper, kitchen towels, hankies, facials), • Warehouse • Paper production
Bridgend/UK (operated by joint venture Northwood & WEPA)	304,000 sqm	Owned	Production: 52,000 Converting: 75,000	• Office space • Paper production • Paper converting (toilet paper, kitchen towels) • Warehouse

Our high rack warehouses in Arnsberg, Giershagen and Mainz are owned by special purpose vehicles and are used by us pursuant to lease agreements, as described in more detail under "*—Warehouse Lease Arrangements*". Our production site in Poland is located on real property used by us on the basis of a hereditary building right, with a fixed term until 2089.

PROCUREMENT/PURCHASING

Overview

Our most important purchasing items include pulp, recovered paper, energy and logistics, which collectively accounted for 65.9% of our total procurement volume in 2015.

The following table sets forth the total costs in euros for each of these items in 2013, 2014 and 2015. The significant increase of our costs for pulp in 2015 is due to our increased demand for pulp resulting from the acquisition of our new site in Troyes and the commissioning of our two new paper machines at our production sites in Lille and Giershagen in 2015. Overall, the average price per ton of pulp slightly increased from U.S.$ 799/ton in 2014 to U.S.$806/ton in 2015.

	2013	2014	2015
Pulp	€192.4million	€179.3 million	€205.9 million
Recovered paper	€46.0 million	€ 48.0 million	€ 47.4 million
Energy	€84.7 million	€ 75.0 million	€ 74.3 million
Logistics	€70.2 million	€ 68.3 million	€ 74.4 million

Other procurement items, such as packing materials and chemicals, accounted for an aggregate €208.3 million in 2015.

Our procurement and purchasing activities are concentrated in a centralized purchasing organization at our headquarters in Arnsberg, excluding logistics and the purchasing of finished and semi-finished goods. Our production sites outside Germany have local purchasing managers who report to our Head of Procurement in Arnsberg. By centralizing our purchasing activities, we aim to maximize our purchasing power, while at the same time building a high level of expertise. The markets and prices for the most important production costs in our business, such as pulp, energy and recovered paper, are driven by international supply and demand and require Group-wide purchasing strategies in order to optimize results. Our strategies include a mixture of long-term supply contracts and spot purchasing. Price and currency risk management is performed in close co-operation with our treasury department.

Raw Materials

The main raw materials for the production of our tissue paper products are pulp and recovered paper. Purchasing for both is centralized at our headquarters in Arnsberg. In 2015, we purchased a total of approximately 420,000 tons of pulp and 293,000 tons of recovered paper. Other than in prior years, pulp prices (as quoted in U.S.$) have been relatively stable between 2013 and 2015. Prices for recovered paper have steadily increased during the same period. By improving supplier portfolio management and enhancing competition among our pulp suppliers, we have been able to improve our average purchasing conditions significantly over the past years. Furthermore we are well positioned to make use of opportunities and to react on market developments such as changing price differences between soft- and hardwood pulp grades.

For pulp, we aim to contract at least 85% of our demand on the basis of annual contracts with selected reliable suppliers, allowing us to ensure the majority of our demand while still being able to use spot purchasing opportunities. The purchase price in our long-term contracts is either linked to the PIX Index or subject to monthly negotiations. While our long-term agreements ensure the availability of pulp, they give only limited protection in respect of the prices we have to pay. In order to limit our exposure to fluctuations in the price of pulp, we have developed a specific hedging strategy which involves a multistage process designed to separately address (i) fluctuations in the market price of pulp, as quoted in U.S. dollars as well as (ii) fluctuations in the exchange rate of the U.S. dollar against the euro, our reporting currency and the currency in which we generate most of our sales revenues. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Exposure to Fluctuations in Pulp and Recovered Paper Prices*".

In 2015, we purchased recovered paper from more than 60 suppliers in Europe. As with pulp, we can choose from a wide variety of suppliers. For our production process, we require homogenous, long fiber recovered paper (i.e. 80% to 90% sorted office waste) that we purchase predominantly via contracts, but for which we also use spot purchasing opportunities. The prices of the supply contracts are either index-linked (EUWID) or fixed for periods of between three and six months. Unlike for pulp, there are no derivative instruments available that would allow us to hedge our exposure to fluctuations in the prices of the recovered paper grades we require. The only way to lock in recovered paper prices are therefore direct agreements with our recovered paper suppliers.

Energy

The production of tissue paper is very energy intensive. The operation of our paper machines accounts for approximately 90% of our total energy demand and the operation of our converting lines and our raw material treatment facilities account for substantially the remainder. Our primary sources of energy are electricity, natural gas and steam.

We attempt to limit our exposure to the volatility of electricity and gas prices by covering parts of our projected energy requirements through fixed future contracts. These contracts are entered into by different entities within the WEPA Group, mostly at the local level, and have varying durations. For Germany we typically try to lock in prices, on a rolling basis, for up to 60%, 40% and 20% of our projected energy requirements with regard to the following 12-month period (Y+1) and each of the subsequent two 12-month periods (Y+2 and Y+3), respectively, subject to developments in the spot market. In Italy, we are part of an industrial syndicate which manages energy supply issues and the related regulatory issues for its members. This includes locking in prices for a portion of projected energy requirements in coordination between all syndicate members subject to market price developments. At our site in Giershagen, Germany, 41.5% of our electric power and 100% of our steam requirements for such site are covered by WEPA Kraftwerk GmbH ("**WKG**"), a subsidiary of the Issuer operating a power plant which uses the residual materials from our recycling processes in Arnsberg and Giershagen as a source of thermal energy.

Freight/Logistics

We deliver our products to our customers through external logistics companies. Due to the relatively large size of our products compared to value, freight and logistics expenses play an important role in our business. The selection and commissioning of the logistics companies is centrally organized by our logistics department in Arnsberg, supported by our local organizations in France, Poland and Italy. Orders are regularly tendered on web-based tendering platforms for logistics services. With the exception of the holiday seasons before Christmas, when there is a high demand for logistics services, in our experience, the market for logistics services has been characterized by overcapacity in recent years, allowing us to choose from a great variety of logistics providers at competitive prices.

While prices for freight services generally went up to increasing costs for personal and equipment, we were able to continue to reduce our freight costs significantly in the last years as a result of our significant investments and the Continuous Improvement Process. One focus of our Continuous Improvement Process is the continuous improvement of our supply chain logistics by improved production site allocation to reduce delivery costs as well as reduced intercompany shipments and a reduction in the use of external warehouses. As a result, our average costs for freight of finished products have already decreased significantly. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Expansion Projects and Investment Program*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Process*".

WAREHOUSE LEASE ARRANGEMENTS

While our warehouses in Kriebstein and Leuna are owned by members of our group, our high rack warehouses in Arnsberg, Giershagen and Mainz, as well as our block warehouse in Lille, are owned by third-party special purpose vehicles and are used by us pursuant to lease agreements.

Arnsberg

The high rack warehouse in Arnsberg is leased by us from Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG ("**Tignaris**"), a special purpose vehicle controlled by an affiliate of Commerzbank Aktiengesellschaft. In a sale and lease back transaction, we granted Tignaris a hereditary building right (*Erbbaurecht*) on the property for a 50-year period for initial consideration of €50,000. At the same time, Tignaris constructed the high rack warehouse and we entered into a lease agreement with Tignaris pursuant to which we agreed to lease the warehouse to be constructed by Tignaris for a term of 13.5 years, beginning on November 1, 2006. Rental payments under the lease are fixed at approximately €1.3 million per year and were calculated based on Tignaris' total cost of constructing the warehouse plus a return on its investment. The lease expires in 2020, at which time we will have the right to acquire all rights to the warehouse from Tignaris for a nominal amount.

Giershagen

Our high rack warehouse in Giershagen is situated on property that we own and is subject to a similar financing and lease arrangements to our Arnsberg high rack warehouse, as described above. We granted Tignaris the hereditary building right on the site in 2003 and our lease agreement with Tignaris started on January 1, 2005. Rental payments under the lease are fixed at approximately €0.8 million per year. The lease expires in 2018, at which time we will have the right to acquire all rights to the warehouse from Tignaris for a nominal amount.

Mainz

The high rack warehouse in Mainz is also situated on property that we own. At the end of 2007, we financed the renovation of this warehouse by contributing it to Nosean Grundstücksverwaltungs mbH & Co. Vermietungs KG ("**Nosean**"), a special purpose vehicle controlled by an affiliate of Deutsche Anlagen Leasing. At the same time, we entered into a lease agreement with Nosean pursuant to which we agreed to lease back the newly renovated warehouse for a term of 13.5 years, beginning on December 31, 2007. In 2014, the high rack warehouse was again renovated and its capacity increased, resulting in increased rental payments of now approximately €1.2 million per year. At the end of the lease in June 2021, we will have the right to acquire all rights to the warehouse from Nosean for a nominal amount.

Lille

In 2005, we entered into a financing and lease agreement (*Crédit-Bail Immobilier*) as amended with lessors Fortis Lease S.A. and Natixis Bail S.A. in relation to our production site in Lille, primarily consisting of a block warehouse but also including converting facilities, office space and ground. Rental payments under the lease are currently €2.4 million per year, subject to adjustment. The agreement expires in December 2017, at which time we will have the right to purchase the property and the underlying real estate for a nominal amount.

REGULATORY ENVIRONMENT

Our business, and in particular the operation of our production sites, is subject to various regulatory requirements. Applicable laws and regulations may differ from site to site due to different national and local laws. The regulatory requirements relate in particular to our production processes and include, inter alia, laws and regulations relating to health and safety measures for employees, the technical safety requirements for operating machines, the use and handling of chemicals, air and water emissions, soil contamination and the management and disposal of waste, hazardous and toxic substances and other materials. For our sites and operations, we are required to obtain and hold various permits and to comply with the requirements specified therein. In addition, we are subject to rules that govern the safety of our products and the information we include on the packaging of our products. We are further subject to foreign trade laws and may be required to pay export duties or customs duties on materials and products that we export and import. We are subject to further regulations in the various jurisdictions in which we operate, including antitrust laws and zoning and occupancy laws that generally apply to manufacturing businesses and/or govern the promotion and sale of certain products we offer, the operation of our facilities and our relationships with customers, suppliers and competitors. The following is an overview of the main laws and regulations that are relevant to our activities in Germany. Local laws and regulations that deal with similar aspects apply in other jurisdictions in which we operate production sites or sell our products.

Environmental Laws

We are required to comply with various environmental laws and regulations. In particular, our operations are subject to laws and regulations designed to limit emissions. This is particularly relevant for our sites that are located, mostly for historic reasons, in mixed-use areas with nearby residential properties, such as our site in Arnsberg. In Germany, the construction and operation of paper production and converting facilities such as ours requires a permit under the Federal Emissions Protection Act (*Bundesimmisionsschutzgesetz*), which encompasses various approvals necessary for the construction and operation of facilities pursuant to other laws, including public-law approvals, registrations and consents.

The operation of the relevant facility can generally not be challenged or contested by third parties as long as the respective facility operates in compliance with its permit. In such cases, third parties can only require certain measures to mitigate any negative impact of a facility on the environment. To the extent such measures are impossible or uneconomical to implement based on state-of-the-art technology, the relevant third parties may only claim damages. Permits and additional administrative orders under the Federal Emissions Protection Act may impose certain limitations (e.g. stricter requirements with regard to permissible emissions or the use of the relevant facilities), with which we have to comply. A violation of the operator's duties as determined in the respective permit (or an additional administrative order) or a modification of the relevant legal standards may also lead to a restriction or, in severe cases, a prohibition of the further operation of the facility and/or the revocation of its permit under certain circumstances. The competent authority may even ask for removal of the facility.

Moreover, the operation of our production sites is subject to the various duties of the Federal Water Management Act (*Wasserhaushaltsgesetz*), the State Water Acts in each of the German states (*Landeswassergesetze*) and the respective federal and/or state regulations (*Rechtsverordnungen*). These regulations govern our use of water during production, particularly the production of de-inked pulp from recovered paper and in preparing the liquid base stock (consisting primarily of water and pulp) for use in our paper machines. According to the Federal Water Management Act, as well as the corresponding state (*Länder*) laws, the use of water generally requires the approval by the competent authority. In particular, the extraction of above-ground water, the discharge of waste water and the pouring and discharge of materials are all aspects of production that require regulatory approval. In cases of violations of the relevant provisions, we may be required to pay damages or become subject to penalties. Depending on the type of permit, it may either be revoked any time or only under certain circumstances.

One of our sites is subject to the Radiation Protection Ordinance (*Strahlenschutzverordnung*) due to the fact that the paper machine at that site uses the slightly radioactive Isotopes Krypton 85 for basis weight measurement of the tissue paper we produce. It is applied in enclosed form, i.e. isotopes are enclosed by a protective cover to avoid any release of radiation. When the isotopes are not in use, they are further shielded with steel plates. According to Sec. 7 of the Radiation Protection Ordinance, the handling of materials such as Isotope Krypton 85 requires a permit, which we have obtained. Even if this permit would be revoked, however, we would still be able to measure the basis weight of the tissue paper as the measurement system using the Isotopes Krypton 85 only serves as a back up system for a non-radioactive measurement system. We also maintain insurance coverage for liability resulting from radiation.

Chemicals Legislation and Regulations

We are subject to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**"). We use certain chemicals, primarily in connection with the production of de-inked pulp from recovered paper. The aim of REACH is to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. REACH places greater responsibility on industry participants to manage the risks from chemicals and to provide safety information on the substances. As a "downstream user" pursuant to REACH, we are primarily required to adhere to the recommended risk reduction measures, to forward our customers and suppliers the relevant information and, if necessary, to arrange for a chemical safety report to be prepared.

In addition, we are subject to the provisions of the (federal) Chemicals Act (*Gesetz zum Schutz vor gefährlichen Stoffen—Chemikaliengesetz*) and related regulations (*Rechtsverordnungen*). The Chemicals Act is intended to minimize the risks from chemicals for humans and the environment. Based on the Chemicals Act and related regulations, the competent authorities have the power to—among others—require that certain materials or chemicals (i) may either not be produced, marketed or used at all, (ii) may only be produced, marketed or used in a certain manner or for specific purposes, (iii) may only be used under certain circumstances or (iv) may only be distributed to certain persons. We are not aware of any such orders having been issued by the German government authorities that would have an impact on our business.

Soil Contamination

Pursuant to the German Federal Soil Protection Act *(Bundesbodenschutzgesetz,* "**BBodSchG**"*)*, the responsibility for residual pollution and harmful changes to the soil lies with the party who caused a harmful soil change or a contaminated site, its universal successor, the relevant property owner, the occupant of the relevant real property and, if the title was transferred after March 1, 1999, the previous owner of the property, if they knew or must have known about the contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the relevant local authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, the other responsible parties are required to indemnify the party that carried out the remediation work, regardless of which party is held liable by the relevant local authority. Where no other arrangements are agreed upon, the obligation to provide compensation and the extent of the compensation to be provided depend on the extent to which the hazard or damage was caused primarily by one party or the other. Liability is not based on fault. Thus the BBodSchG does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

According to the BBodSchG the competent authority may require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

EMPLOYEES

For the year ended December 31, 2015, we employed an average of 2,816 employees in four countries, excluding both approximately 249 employees of Northwood & WEPA, our joint venture in the United Kingdom, and 12 employees of WEPA Industrieholding SE, our parent company, which provides certain central services to other WEPA entities pursuant to intercompany service agreements. The number of employees does neither include inactive employees currently in early retirement nor employees receiving a company pension.

Approximately half of our employees are employed in Germany. In 2015, our two largest production sites in Germany employed an average of 464 employees (Arnsberg) and 426 employees (Giershagen) respectively. During the same period, an average of 1,379 employees were employed outside of Germany, including 475 employees in Italy, 516 employees in France and 389 employees in Poland. Our workforce is characterized by very low fluctuation levels and the average job tenure of our employees throughout all our sites is approximately 14 years. As a result of our continuous hiring strategy and long-standing training programs, we believe our workforce currently has a well-balanced age structure and solid qualification level. As at December 31, 2015, we had 55 trainees. In addition, we enjoy a constructive working relationship with the relevant labor representatives on group and site level, including with the labor union IG BCE ("*Industriegewerkschaft Bergbau, Energie, Chemie*") in Germany, which we believe has contributed to the absence of any significant union action or disputes to date.

INSURANCE

We maintain various insurance policies for different aspects of our business. These policies are centrally managed by our insurance department in Arnsberg, with the support of our insurance broker SüdVers. Our insurance coverage includes all-risk policies insuring against property destruction, damage and loss, as well as against any business interruption directly resulting from any property damage. In addition, we maintain liability insurance coverage with regard to general operating liability, radiation liability and environmental liability, as well as transport and accident insurance. We obtain insurance coverage for particular risks based on an internal risk analysis. We believe that we maintain adequate insurance coverage commensurate to our business and production volumes and in line with industry practice, with deductibles and coverage limits that we believe to be reasonable and appropriate. We continuously re-evaluate the appropriateness of our insurance coverage in the ordinary course. There can be no assurance, however, that we will not suffer losses that may either not be covered by insurance or that may exceed the coverage amount under the relevant insurance policies.

LEGAL PROCEEDINGS

From time to time, we are involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business. Neither we nor any of our subsidiaries are currently involved in any litigation, administrative proceedings or arbitration relating to claims or amounts that are material to our business and to our knowledge no such litigation, administrative proceeding or arbitration is pending or threatened. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty and we can offer no assurances in this regard.

For example, in 2012 EcoEmballages (a French organization responsible for collecting an environmental levy on packaging materials) initiated legal proceedings for amounts allegedly owed to it by various toilet paper producers and other French manufacturers (including WEPA France S.A.S.), arguing (among other things) that the cardboard cores included in toilet paper roles constitute packaging materials that are subject to the environmental levy. According to EcoEmballages, WEPA France S.A.S. owes €5.7 million to EcoEmballages for the cardboard cores included in toilet paper roles sold by WEPA France S.A.S. in the years 2008-2012. Further, with the acquisition of the former Lucart entity in Troyes, WEPA France S.A.S. (as legal successor of the Lucart entity that owned the site in Troyes) assumed also the potential liability vis-à-vis EcoEmballages for the cardboard cores included in toilet paper roles sold by Lucart through its Troyes subsidiary.

We disagree with EcoEmballages' interpretation of the relevant rules and regulations and we are challenging EcoEmballages' interpretation both individually and through an industry association. As of December 31, 2015, we had made provisions of €3.9 million on a Group level and of €1.7 million at WEPA France S.A.S. related to the claims made by EcoEmballages. No provisions have been made for any potential liability vis-à-vis EcoEmballages assumed as part of the Troyes acquisition as according to the share purchase agreement with Lucart, the latter would be required to imdemnify us. At the moment, the Commercial Court of Paris and also the Council of State in Paris have both decided to postpone any decision while waiting for a preliminary ruling of the European Court of Justice.

INFORMATION TECHNOLOGY

We maintain a central IT department in Arnsberg which coordinates the IT resources of our Group. Our data centers are currently located in Arnsberg and in Lucca. We plan to merge them into a single centralized data center in Arnsberg in the near future.

We are in the process of implementing a standarized enterprise resource planning ("**ERP**") software throughout our Group. The current system is being replaced and/or updated by Oracle's JD Edwards ERP software. We expect that the introduction of a standardized ERP software will improve the management of information across our Group, particular in the areas of finance, accounting, supply chain management, sales, manufacturing and stock management. The introduction of the new ERP software commenced in 2011, with the implementation temporarily suspended for some of our production sites pending our restructuring and our aim to reduce capital expenditures between 2011 and 2013. The implementation process was resumed in 2014 and we expect to complete the necessary software updates at the four remaining plants by the end of 2017.

SUSTAINABILITY FOCUS

We have established and implemented various environmental, health & safety and sustainability policies. We continuously work on our sustainable development program, driven by specific committees reporting on an annual basis to the Management Board. With the exception of the site in Troyes, which we acquired only last year, all our sites are ISO 14001- and ISO 50001-certified. In addition, we use "MessDas", an integrated production monitoring and control system, in order to ensure a resource-efficient operation of our production processes.

Our sustainable development program aims to reduce our environmental footprint. For example, we have developed a life cycle assessment for our "New Start" and "Hybrid" products, which was approved and continues to be monitored by an independent expert on an ongoing basis. Our "New Start" products include toilet paper and kitchen towels made from recovered paper or a combination of recovered paper and pulp, where the production process uses at least 10% less CO_2 compared to the production of standard toilet paper made from pulp. Additional objectives include using certified fiber, gaining Forest Stewardship Council ("**FSC**") chain of custody certification and increasing our offering of third-party-certified products. Increasing demands from retail and commercial customers and consumers, increased focus and communication on sustainability and internal cost-savings opportunities are our main drivers for deploying this strategic initiative. Through our efforts in this program, we were able to lower the environmental footprint for certain of our products by 15% and more.

We are also the market leader for recycled toilet paper in Germany, Austria and Switzerland as well as one of Europe's leading recycled tissue paper producers. We can produce tissue paper from recovered paper at three of our production sites. Compared to tissue paper made from pulp, producing de-inked pulp from recovered paper requires less energy and leads to less water and air pollution. We have obtained various eco-labels and certifications for our products, such as the EU Ecolabel, the so-called "Blauer Engel" (*Blue*

Angel) for Germany and the FSC certification for promoting responsible management of the world's forests.

In order to fulfil our goal to significantly reduce the production-related energy consumption, we also established a specific energy management program in 2010. Until the end of 2015, we were able to reduce the relative production-related energy consumption at our mills by more than 10% compared to 2010. The energy management program combines both energy-specific investments as well as organizational measures, such as (i) the implementation of an alarm signal in case our energy consumption is about to exceed certain thresholds, (ii) using "MessDas" to monitor annual hours of use compared to target use duration (e.g., 7,000 hours), (iii) avoiding simultaneous start-ups and synchronized operation of processes and large instigations (e.g., by interlocks in the process control system), (iv) starting of the pulping machine with a certain time lag after the start-up of the paper machines, (v) using screens with real-time measurements of electric energy demand and monitoring of the electricity performance of the machine controls, and (vi) identifying "switch-off potential" or opportunities for workload reductions. The energy management program is driven by an energy committee, which meets every two months and reports directly to the Management Board.

QUALITY CONTROL

We focus extensively on operational excellence with the objective of achieving a consistent and positive overall consumer and customer experience. Our quality control standards are given a high level of importance and are generally in line with the standards set by other reputable multinational competitors. In addition, we established a groupwide "Quality Initiative" program to further strengthen important aspects like awareness, communication as well as training and qualification.

Our internal quality controls include:

- Auditing of supplier qualifications;
- Consistent testing of production, sampling of finished products for workmanship and physical testing for compliance to pre-approved specifications;
- Generating key performance indicators along with detailed test reports on all semi-finished and finished products;
- Holding bi-monthly executive meetings to review results, track progress on major issues/opportunities and set goals as needed;
- Establishing a Rapid Response and Retrieval system (or "RRR") across our Group, including mock recall exercises to promote preparedness; and
- Tracking all major start-ups by quality assurance and providing detailed reports to management throughout the new product development process. All products receive annual specification reviews with product development and marketing stakeholders.

Our third-party controls include:

- Auditing of all plants according to ISO 9001, ISO 14001 and ISO 50001;
- Certification and auditing of nearly all plants according to IFS Standard;
- Routine customer-initiated third-party audits of our sites; and
- Ranking of performance along key important customer metrics by independent surveys.

RESEARCH AND DEVELOPMENT

We consider research and development to be an important factor in staying competitive and strengthening our customer relationships. In order to ensure a constant flow of know-how and close technological cooperation between our various Group companies, we centrally coordinate our research and development activities through small research department in our facility in Mainz. Due to our product portfolio, which consists primarily of standardized, commodity-like tissue paper products, our budget for research and development measures is, compared to other industries with higher innovation pressure, relatively low.

Our research and development activities are primarily focused on the constant improvement of our products and production processes. In close cooperation with our customers, we constantly work on increasing the quality of our products, such as softness and strength. We also regularly discuss and evaluate with our customers their tissue paper product portfolio, the further development of our existing products as well as special promotions by our customers. We believe that continuous contact with customers across almost all of our product families, coupled with the scale of our operations, gives us a specific advantage in product and process development. In addition, both our research and production departments have a strong focus on constantly improving and optimizing our manufacturing process, aiming to reduce manufacturing, raw material and transportation costs. In 2015, for example, we cooperated with one of our major private label customers to reduce the number of layers of a recycled toilet paper from three to two while maintaining all other key parameters such as quality, strength and roll weight. This allowed us to decrease energy cost involved in the production of this toilet paper considerably. Further, for consumers with a focus on both sustainability and quality, we recently developed our new WEPA hybrid products. WEPA hybrid products are premium, primarily virgin pulp tissue products with a limited portion of de-inked pulp, thereby improving the environmental footprint of such products significantly compared to pure virgin pulp products.

SALES AND MARKETING

Our sales and marketing team primarily develops and strengthens new and existing customer relationships and acquires new orders and business. To ensure optimal service levels we integrated the planning/supply chain functions with the sales & marketing function. This team consisted of an average of 88 employees in 2015. The majority of team members are located at our headquarters in Arnsberg, which is also responsible for coordinating and developing our sales and marketing strategies and activities. Our local Group companies in Italy, France and Poland are also given certain regional responsibilities. Our Consumer division accounts for approximately 79% of our marketing and sales team, while the remaining 21% of team members focus on the AfH business and the sale of jumbo reels. With the support of our technical and supply chain functions, our sales team is also responsible for product specifications and pricing.

Our marketing team is tasked with market research and supporting the sales team with marketing tools to optimize our customer portfolios and to build brand equity for our smaller brand business. It plays a strategic advisory role with retailers, assisting with category management and efficient promotional and shelf assortment initiatives. Compared to branded-label tissue producers, our marketing expense is low.

SHAREHOLDERS

WEPA Industrieholding SE, Arnsberg, registered in the Commercial Register of the Local Court of Arnsberg under HRB 8504, with business address Rönkhauser Straße 26, 59757 Arnsberg, holds all shares of the Issuer. The registered share capital of the Issuer amounts to €8,100,000 and is fully paid up. WEPA Industrieholding SE became the holding company of the WEPA Group in 2009 as part of a reorganization of the WEPA Group to streamline the organizational structure and operations of the WEPA Group following its expansion in prior years.

The shares of WEPA Industrieholding SE, which has a share capital of €201,037, are held by UFK Beteiligungs GmbH, which holds a 73.2% stake, and WJM Trust GmbH, which holds a 26.8% stake. All shares in these entities, in turn, are held by members of the Krengel family.

MANAGEMENT

OVERVIEW

Our group is managed by a management team consisting of the managing directors (*Geschäftsführer*) and the senior management of the Issuer. The managing directors of the Issuer are Martin Krengel, Walter Hirner, Ralph Dihlmann and Dr. Hendrik Otto (the "**Managing Directors**"). Martin Krengel serves as Chief Executive Officer, Walter Hirner as Chief Technical Officer and Deputy Chief Executive Officer, Ralph Dihlmann as Chief Financial Officer and Dr. Hendrik Otto is, amongst others, responsible for Business Development, Human Resources and Legal for our Group. They are supported by an experienced senior management team mainly consisting of the regional heads of France, Italy and Poland as well as the divisional heads for Controlling, Sales, Marketing & Planning, AfH, Personnel, Procurement, Production & Technics, Legal, Risk Management & Compliance and IT.

The managing directors also serve as members of the management board of WEPA Industrieholding SE (the "**Parent**"). The Parent, incorporated as an European Company (*Societas Europaea—SE*), is the sole shareholder of the Issuer. Due to the 100% participation of the Parent in the shares of the Issuer, the management board of the Parent (the "**Management Board**") and supervisory board (the "**Supervisory Board**") have, either directly or indirectly, a significant influence on the business of our Group.

MANAGEMENT BOARD OF THE ISSUER

The Issuer is organized as a German limited liability company (*Gesellschaft mit beschränkter Haftung/GmbH*) under the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung/GmbHG*) and is managed by Martin Krengel, Walter Hirner, Ralph Dihlmann and Dr. Hendrik Otto as managing directors. The Managing Directors, which form the management board (*Geschäftsführung*) of the Issuer, are elected by the Parent as the sole shareholder. The current bylaws of the Issuer require that one or more managing directors need to be appointed. The Issuer is represented by two managing directors or one managing director together with an authorized proxy (*Prokurist*) acting jointly.

The Managing Directors are responsible for managing the day-to-day business of the company. Each Managing Director is under a duty to act in accordance with applicable laws, the bylaws and the rules of procedure for the Managing Directors as well as in accordance with his respective service agreement. According to the rules of procedure of the management board of the Issuer, transactions and dealings which exceed certain thresholds require the consent of the shareholder's meeting of the Issuer (the "**Shareholder's Meeting**"). In such cases, due to parallel rules of procedure for the Managing Directors of the Issuer and the Management Board of the Parent, ultimately, such transactions and dealings will require the approval of the Supervisory Board of the Parent.

The Shareholder's Meeting may issue instructions which are binding upon the Managing Directors. However, as the corporate governance of the Issuer generally provides for the same persons to serve as Managing Directors as on the Management Board, the Shareholder's Meeting ability to give instructions has limited relevance. Instructions that would result in violations of mandatory provisions of German corporate law and in particular, capital maintenance rules, are in any event prohibited.

The Managing Directors of the Issuer are:

Name (Age)	Member Since	Term Expiry (Parent)	Area of responsibilities
Martin Krengel (59)	1990	2019	Strategy, Sales, Marketing & Planning
Walter Hirner (57)	2013	2018	Technics & Production, Procurement
Ralph Dihlmann (46)	2014	2020	Finance & Controlling, IT
Dr. Hendrik Otto (40)	2014	2020	Human Resources, Business Development, Legal & Compliance, Internal Auditing, Group Communications

The Managing Directors may be contacted at the offices of the Issuer at Rönkhauser Straße 26, 59757 Arnsberg.

Martin Krengel (age 59). After completing his studies in law in 1985, Mr. Krengel has held various management positions within the WEPA Group and became a managing director of the legal predecessor of the Issuer (WEPA Papierfabrik P. Krengel GmbH & Co) in 1990. Mr. Krengel currently serves as the Chief Executive Officer of the Issuer and the Parent. In addition to his roles within the WEPA Group, Mr. Krengel is currently the chairman of a trade association of the regional paper industry (*Wirtschaftsverbandes der rheinisch-westfälischen papiererzeugenden Industrie e.V.*), the chairman of the employers' association of the regional paper industry (*Arbeitgeberverband der rheinisch-westf. papiererzeugenden Industrie e.V.*) and vice chairman of the Federation of the Employers' Associations of the German Paper Industry (*Verband der Arbeitgeberverbände der deutschen Papierindustrie*).

Walter Hirner (age 57). After completing his studies in papermaking at the University of Applied Sciences in Munich, Mr. Hirner worked for more than 30 years for our main competitor SCA. Prior to joining us, Mr. Hirner served as Vice President Technology for SCA Tissue Europe and as technical director as member of the board of SCA in Germany. In these functions, he focused primarily on areas of manufacturing excellence, supply chain strategy and investments (Acquisitions and Greenfield-Projects). Mr. Hirner was appointed as Chief Technical Officer of the Issuer and the Parent in 2013.

Ralph Dihlmann (age 46). After completing his apprenticeship in banking, Mr. Dihlmann graduated in business administration at the University of St. Gallen. Subsequently, he worked as a business consultant inter alia at Roland Berger, with a focus on corporate finance, controlling and strategic development. Prior to joining us, Mr. Dihlmann served in various functions, including Head of Corporate Development, Head of Controlling and CFO/COO at Coperion Werner & Pfleiderer and Dornbracht. In 2014, he joined us as Chief Financial Officer of the Issuer and the Parent. Mr. Dihlmann additionally serves as Member of the Board in the German association of Chief Financial Officers (*GEFIU—Gesellschaft für Finanzwirtschaft in der Unternehmensführung e.V.*).

Dr. Hendrik Otto (age 40). After completing his studies of law in Freiburg, Pisa (Italy), Hamburg and Berlin, and receiving a doctorate degree from the University of Bochum, Dr. Otto joined the law firm Mayer Brown LLP, with his practice area focusing on corporate law and M&A. In 2011, he worked in the investment banking division of HSBC in London. In 2012, Dr. Otto became partner of Mayer Brown LLP. As long-term trusted advisor to our Group, he joined us and the Parent as a Managing Director responsible, *inter alia*, for Human Resources, Business Development, Legal & Compliance and Internal Auditing in 2014. In addition to his roles within the WEPA Group, Dr. Otto serves as member of the supervisory board of Deutsche Beteiligungs AG.

Compensation

The Managing Directors do not receive any separate remuneration for their services for our Group other than their respective remuneration as members of the Management Board of the Parent. The remuneration of the members of the Management Board consists of a fixed component and variable compensation elements. The fixed component comprises a base salary and payments in kind. The variable components include annually recurring components tied to business performance, as well as components that offer long-range incentives and that are tied to risk taking. The base salary is paid in twelve equal monthly instalments. The payments in kind to the members of the Management Board consist mainly of the use of company vehicles. The variable component is granted primarily in accordance with the WEPA Group business performance indicators (e.g. EBIT, EBITDA and free cash flow). The details are established annually by mutual agreement. The variable components can include a cap.

The total compensation of the members of the Management Board amounted to €2.6 million in 2015. This amount included fixed salaries, payments in kind and variable performance-related compensation. Payments in kind included the use of company cars, payment of hotel expenses, travel expenses and premiums for accident insurance.

The Parent and the Issuer have obtained D&O insurance, covering the Managing Directors.

SUPERVISORY BOARD OF THE PARENT

The Supervisory Board advises and monitors the Management Board of the Parent, and thereby indirectly also the management of the Issuer. It is not authorized to exercise itself management functions. However, pursuant to the articles of association of the Parent, the rules of procedure for the Managing Directors and of the Management Board and, as the case may be, resolutions of the Supervisory Board, certain types of transactions and dealings exceeding certain thresholds or being outside the ordinary course of business may only be entered into with the approval of the Supervisory Board. Approval is generally required before a transaction is executed. The Management Board must also regularly report to the Supervisory Board (at least quarterly) on the course of business, with particular reference to revenue and the status of the Parent and its subsidiaries, including the Issuer. Same as the members of the Management Board, also the members of the Supervisory Board have duties of loyalty and due diligence towards the Parent.

Pursuant to the current articles of association, the Supervisory Board currently consists of three members, all of whom have been elected at the annual general meeting (*ordentliche Hauptversammlung*) ("**Annual General Meeting**") of the Parent. Unless the Annual General Meeting decides on a shorter term of office for prospective members at the time of the election or for all the members of the Supervisory Board, the members of the Supervisory Board are elected for a term ending upon conclusion of the Annual General Meeting at which the Supervisory Board is discharged of its duties for the fourth financial year following commencement of the term of office. The financial year in which the term of office commences is not counted.

The Supervisory Board currently consists of:

Name (Principal Occupation)	Position	Term Expiry	Other memberships in administrative, management or supervisory bodies or as partner in partnerships
Friedrich Merz . . . . (Lawyer)	Chairman	2019	BlackRock Assetmanagement Deutschland AG, Chairman of the supervisory board
			HSBC Trinkaus AG, member of the supervisory board, Chairman of the advisory board
			Mayer Brown LLP, Senior Counsel
			Stadler Rail AG, member of the board of directors
Dr. Hans-Joachim Körber . (former CEO of Metro AG)	Deputy Chairman	2019	Air Berlin PLC, Chairman of the board of directors
			Eurocash S.A., member of the supervisory board
			Sysco Corporation, member of the board of directors
Fritz Schur . . . . (Chairman of various companies)	Member	2019	Fritz Schur Gruppen, Chairman of the management board of various group companies
			C. P. Dyvig & Co. A/S, Chairman of the board
			SAS AB, Chairman of the board

With respect to member of the Supervisory Board Fritz Schur, please also refer to the description of the previously existing business relationship between us and Fritz Schur Consumer Products A/S, a company owned indirectly by Fritz Schur, at "*Certain Relationships and Related Party Transactions—Other Agreements with Affiliated Parties*".

Committees

The Supervisory Board does not have any active committees.

Compensation of Supervisory Board Members

Pursuant to the articles of association, the members of the Supervisory Board receive a fixed compensation, payable after the end of the fiscal year in the amount of €50,000 per annum. The chairman of the Supervisory Board receives €100,000 and the deputy chairman €75,000. In addition, the company reimburses the members of the Supervisory Board for their out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members.

The Parent has obtained D&O insurance in its name, covering the members of the Supervisory Board.

Further Information about the Managing Directors and members of the Management Board and the Supervisory Board

During the last five years, none of the Managing Directors, no member of the Management Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, none of the Managing Directors, no member of the Management Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any Managing Director, any member of the Management Board or the Supervisory Board has occurred. None of the Managing Directors, no member of the Management Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

Neither the Parent nor the Issuer has granted loans to Managing Directors or to members of the Management Board or the Supervisory Board.

None of the Managing Directors, no members of the Management Board or the Supervisory Board have any conflicts of interest between their duties to the Issuer and their private or other interests. Friedrich Merz, however, is a Senior Counsel of Mayer Brown LLP who provides legal services to the Issuer and other members of the Group. For information on this relationship, see "*Certain Relationships and Related Party Transactions*".

None of the Managing Directors or any member of the Management Board or the Supervisory Board has employment agreements, service contracts or other agreements with the Parent, the Issuer or any company belonging to the WEPA Group which provides for any severance payments or other special remuneration upon the termination of their employment. No family relationships exist between or among any of the Managing Directors or any of the members of the Supervisory Board or the Management Board.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

CENTRAL SERVICES AND COST ALLOCATION AGREEMENT WITH WEPA INDUSTRIEHOLDING SE

On July 1, 2009, the Issuer and other members of the WEPA Group entered into an agreement on central services and cost allocation with WEPA Industrieholding SE, the ultimate parent holding company of the WEPA Group (the "**Central Services and Cost Allocation Agreement**"). Under the Central Services and Cost Allocation Agreement, WEPA Industrieholding SE provides certain central services to various entities of the WEPA Group. These services include support in the following areas: coordination and general management, legal, tax and management consultancy, funding, human resources (including recruiting, remuneration advice, policy advice and the preparation and implementation of vocational training programs), finance and accounting, production planning, raw material procurement and marketing and sales. Under the terms of the Central Services and Cost Allocation Agreement, WEPA Group companies are entitled, but not required, to make use of the services offered by WEPA Industrieholding SE.

Any costs incurred by WEPA Industrieholding SE in providing services pursuant to the Central Services and Cost Allocation Agreement are allocated among the different WEPA Group companies in accordance with a cost allocation mechanism set forth in the Central Services and Cost Allocation Agreement. The prices WEPA Industrieholding SE charges within the WEPA Group are intended to represent arm's length terms, i.e. prices we believe are broadly similar to those a third-party would charge for comparable services.

NORTHWOOD & WEPA LTD.

On March 31, 2014, the Issuer acquired 100% of the share capital of Winfried Limited, which holds a 50% stake in Northwood & WEPA Ltd. ("**Northwood & WEPA**"), a 50:50 joint venture originally established in 2013 by members of the Krengel family (the owners of the WEPA Group) and members of the Fecher family (the owners of Northwood Paper) in the United Kingdom. The company acquired and now operates the former SCA paper mill in Bridgend/South-Wales (UK) with a production capacity of 52,000 tons and converting capacity of 80,000 tons per year. The mill produces private label toilet paper and kitchen towels for the UK and Irish markets.

In addition to the supply of finished products by WEPA France S.A.S. to Northwood & WEPA for the English and Irish market, we may, from time to time, sell jumbo reels and finished tissue products and/or equipment no longer used in our business to Northwood & WEPA on an arm's length basis and at prices that we reasonably determine are no less favourable than those we might reasonably be able to obtain at the relevant time from an unaffiliated party.

OTHER AGREEMENTS WITH AFFILIATED PARTIES

Consulting Agreements with Jochen Krengel and Wolfgang Krengel

WEPA Industrieholding SE has entered into consulting agreements with its former members of the Management Board, Jochen Krengel and Wolfgang Krengel. Jochen Krengel serves as an advisor to our Group in the fields of real estate, procurement and trading, in particular with respect to de-inked pulp. Wolfgang Krengel provides consulting services to our Group on technology and energy supply issues, with a particular focus on our production site in Lille, France.

As remuneration for their services, both Jochen Krengel and Wolfgang Krengel receive an annual base compensation in the amount of €120,000. In addition, they receive a monthly compensation for office expenses in the amount of €2,500 and are indemnified for certain other necessary expenses. In the event that either Jochen Krengel or Wolfgang Krengel provide consulting services that do not fall within the scope of these consulting agreements, each is paid an amount of €1,000 per day while he provides such services. The consulting agreements with Jochen Krengel and Wolfgang Krengel became effective on October 1, 2012 and have no expiration date. Each agreement can be terminated with effect as of June 30 of each year with at least six months' prior notice. Pursuant to the Central Services and Cost Allocation Agreement between the Issuer and WEPA Industrieholding SE we are required to reimburse WEPA Industrieholding SE for the expenses linked to the consulting agreements to the extent the respective expenses are incurred in connection with consulting services within the scope of the Central Services and Cost Allocation Agreement.

Framework Agreement with Fritz Schur Consumer Products A/S

Until recently, we had a business relationship with Fritz Schur Consumer Products A/S ("Fritz Schur A/S"), a company owned by Fritz Schur, a member of our Supervisory Board. Fritz Schur A/S is a leading Nordic trading and supply chain company that, inter alia, sells and delivers paper products. Fritz Schur A/S was to a large extent accountable for our activities in the Nordic countries (Denmark, Faroe Islands, Greenland, Finland, Iceland, Norway and Sweden). The business relationship between Fritz Schur A/S was terminated by mutual agreement against payment of a settlement amount of approximately €1 million to Fritz Schur A/S on March 23, 2016. With the termination of the business relationship with Fritz Schur A/S, our businesss activities in the Nordic countries are no longer subject to limitations formerly agreed on with Fritz Schur A/S.

Legal services rendered by Mayer Brown LLP

Law firm Mayer Brown LLP has been providing legal advice to WEPA Industrieholding SE and different companies of the WEPA Group on various matters for a number of years. Friedrich Merz, who serves as member and chairman of the Supervisory Board of WEPA Industrieholding SE, is also a Senior Counsel of Mayer Brown LLP. Friedrich Merz personally does not receive any remuneration directly related to the services provided to us by Mayer Brown LLP. The retention of Mayer Brown LLP as our legal counsel has been approved by the Supervisory Board of WEPA Industrieholding SE.

DESCRIPTION OF OTHER INDEBTEDNESS

The following includes a summary of the terms of the Senior Revolving Credit Facility and the Intercreditor Agreement, each to be amended by an amendment agreement to be entered into on or prior to the Issue Date, and certain other financing arrangements.

SENIOR REVOLVING CREDIT FACILITY

On or prior to the Issue Date, we intend to enter into an amendment agreement in relation to our existing Senior Revolving Credit Facility agreement, with relevant amendments to become automatically effective (such date, the "**Senior Revolving Credit Facility Amendment Effective Date**") upon the redemption of the Existing Notes on the Redemption Date and the fulfillment of certain conditions precedent. Any referene to "**Senior Revolving Credit Facility**" under this section "*Description of Other Indebtedness*" shall refer to the Senior Revolving Credit Facility as in effect from the Senior Revolving Credit Facility Amendment Effective Date. The Senior Revolving Credit Facility will provide for €125 million of committed financing (the "**Total Commitments**"), which will be available for utilization by way of the drawing of cash revolving loans in Euro and other currencies, and by way of ancillary facilities, from and including the Senior Revolving Credit Facility Amendment Effective Date until the date falling one month prior to the Termination Date (as defined below).

Borrowings under the Senior Revolving Credit Facility will be used to finance or refinance the general corporate purposes (including any capital expenditure, restructuring expenses and acquisitions) of the Group.

As of the Senior Revolving Credit Facility Amendment Effective Date, borrowers under the Senior Revolving Credit Facility are expected to include the Issuer, WEPA France S.A.S. WEPA Professional Piechowice SA and WEPA Italia S.r.l. Furthermore, as of the Senior Revolving Credit Facility Amendment Effective Date, the Senior Revolving Credit Facility will be guaranteed by the Guarantors and benefit from certain collateral to be granted by the Parent and certain of the Guarantors (as defined below under "*—Security and Guarantees*") and the Issuer. The facility agent (the "**Agent**") under the Senior Revolving Credit Facility is Commerzbank Aktiengesellschaft.

Ancillary Facilities

Subject to a limit of €75 million for the use of ancillary facilities under the Senior Revolving Credit Facility, a lender (or its affiliates) may make available to a borrower under the Senior Revolving Credit Facility all or part of that lender's undrawn commitment in the Senior Revolving Credit Facility by way of ancillary facilities such as overdraft facilities, guarantees, bonding, documentary or stand-by letter of credit facilities, short-term loan facilities, foreign exchange facilities or any other facility or accommodation required in connection with the business of the Group and which is agreed between the Issuer and the relevant lender (or its affiliate), subject to the satisfaction of certain conditions precedent.

Repayments and prepayments

The Senior Revolving Credit Facility will terminate on the fifth anniversary of the date of the Senior Revolving Credit Facility Amendment Effective Date (the "**Termination Date**") and any amounts still outstanding at such date will be immediately due and payable.

Subject to certain conditions, we may voluntarily prepay our utilisations and/or permanently cancel all or part of the available commitments under the Senior Revolving Credit Facility by giving five business days' prior notice to the Agent (provided that such prepayment or cancellation must be, if in part, in a minimum amount of €1 million) or (in case of a cancellation only) the remainder if the remaining commitments are less than €1 million.

Amounts repaid may (subject to the terms of the Senior Revolving Credit Facility) be reborrowed.

In addition to voluntary prepayments, the Senior Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances, including:

- with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Senior Revolving Credit Facility;
- subject to certain criteria, from any net insurance proceeds;

- upon the occurrence of a Change of Control, where "**Change of Control**" means that:

  i. Martin Krengel, Wolfgang Krengel and Jochen Krengel and any of their respective heirs and any person controlled (directly or indirectly) by any of them (the "**Permitted Holders**") cease directly or indirectly to hold 50% or more of the issued shares in the Issuer (measured by voting power rather than number of shares); or

  ii. all or substantially all of the assets of the Group are sold; and

- upon the occurrence of a Listing, where "**Listing**" means the listing or the admission to trading of all or any part of the share capital of any member of the Group or any Holding Company (as defined in the Senior Revolving Credit Facility) of a member of the Group on any recognized stock exchange, 50% of such Listing proceeds.

Upon any optional or mandatory redemption or acquisition of any of the Notes, if such redemption or acquisition would result in an aggregate amount greater than 50% of the original principal amount of the Notes being so redeemed or acquired, then an amount of the Senior Revolving Credit Facility equal to such aggregate amount must be cancelled and, to the extent necessary, prepaid (see also "*—The Note Purchase Condition*" below).

Interest and Fees

The Senior Revolving Credit Facility will initially bear interest at a rate per annum equal to EURIBOR (or, with respect to any loans utilized in a foreign currency, LIBOR) plus a margin of 2.50% per annum, subject to a margin ratchet based on the Net Leverage Ratio (as defined below) at each quarter end commencing after six months following the Redemption Date.

"**Net Leverage Ratio**" means, in respect of any relevant period, the ratio of total net debt on the last day of that relevant period to EBITDA in respect of that relevant period. A relevant period is a period of 12 months ending on March 31, June 30, September 30, December 31 in any year.

We are also required to pay a commitment fee in arrears on the last day of each successive period of three months during the availability period, on available but unused commitments under the Senior Revolving Credit Facility at a rate of 30% of the applicable margin under the Senior Revolving Credit Facility.

We are also required to pay fees related to the issuance of ancillary facilities and certain fees to the Agent and the Security Agent in connection with the Senior Revolving Credit Facility.

Security and Guarantees

From the Senior Revolving Credit Facility Amendment Effective Date, the Senior Revolving Credit Facility will be guaranteed irrevocably and unconditionally, subject to certain customary limitations and agreed security principles, on a joint and several basis, by the Issuer, Wepa Leuna GmbH, Wepa Papierfabrik Sachsen GmbH, Wepa Grundbesitz GmbH & Co. KG, Wepa Leuna Grundbesitz GmbH & Co. KG, Wepa Sachsen Grundbesitz GmbH & Co. KG, Wepa Produktion GmbH & Co. KG, Wepa International GmbH, Wepa Professional GmbH, Wepa Kraftwerk GmbH, Wepa Professional Piechowice SA, Wepa Italia S.r.l. and Wepa France S.A.S. (the "**Guarantors**"). Furthermore, from the Senior Revolving Credit Facility Amendment Effective Date, the Senior Revolving Credit Facility will be secured by first-ranking liens (subject to certain perfection requirements, exceptions and limitations) over (a) all the shares of or the partnership interests in the Issuer, each Guarantor and WEPA Produktion Verwaltung GmbH, as applicable; (b) all existing and future loans held by the Parent against the Issuer, (c) certain machinery and equipment of the Issuer, WEPA Professional GmbH, WEPA Leuna GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG and WEPA Produktion GmbH & Co. KG and (d) certain real property of WEPA Grundbesitz GmbH & Co KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG.

The Senior Revolving Credit Facility also provides that (subject to certain customary limitations and the agreed security principles):

- on any accounting reference date (*i.e.*, each December 31), the aggregate turnover, aggregate gross assets and earnings before interest, tax, depreciation and amortization of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the Group) must represent not less than 85% of the Group's revenue, gross assets and Consolidated EBITDA (as defined in the Senior Revolving Credit Facility); and

- a member of the Group (other than the Parent and the Issuer) that has earnings before interest, tax, depreciation and amortization calculated on the same basis as Consolidated EBITDA (but on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the Group) representing 5% or more of EBITDA of the Group or has gross assets or turnover representing 5% or more of the gross assets or turnover of the Group calculated on a consolidated basis must become a guarantor under the Senior Revolving Credit Facility and grant security as the Agent may require, within 30 days.

Covenants

The Senior Revolving Credit Facility contains customary information and affirmative loan style covenants and also includes restrictive covenants that replicate those contained in the documentation required to implement the issue of the Notes (the "**Senior Notes Documents**"). The Senior Revolving Credit Facility also contains a "spring-in" leverage covenant, pursuant to which we are required to ensure that the Net Leverage Ratio does not exceed 5.00:1 in respect to any quarterly testing period (*i.e.*, any twelve months period ending on March 31, June 30, September 30 and December 31) and with respect to any proposed utilisation date, if the aggregate amount of drawdowns under the Senior Revolving Credit Facility (together with all utilisations (in whatever form) made under any ancillary facility (but excluding letters of credit and bank guarantees other than to the extent issued for cash loans or similar instruments)) exceeds, or would on any proposed utilisation date exceed, 35% of the total commitments under the Senior Revolving Credit Facility.

The financial covenant may also be amended or waived in whole or in part in accordance with the terms of the Senior Revolving Credit Facility. If the Issuer has notified the Agent that a possible breach of the financial covenant may occur, then the lenders and the Issuer shall enter into good faith negotiations with a view to finding a resolution to the event or circumstance that has given rise to such possible breach, provided, however, that any such negotiations shall not in any way whatsoever restrict the finance parties in exercising any of their rights under the finance documents as they, in their sole discretion, consider appropriate and the entry into of any such negotiations shall not constitute a waiver or allow for a delay or postponement of any testing dates or the delivery of any compliance certificates in relation to the financial covenant.

The Note Purchase Condition

The Senior Revolving Credit Facility will only allow members of the Group to repay, purchase, defease or redeem (or otherwise retire for value) or acquire any of the Notes, subject to:

- the aggregate principal amount of all Notes prepaid, purchased, defeased, redeemed (or otherwise retired for value) or acquired since the Issue Date not exceeding 50% of the aggregate principal amount of the Notes issued on the Issue Date (the ***Original Notes***);
- no default continuing or resulting from the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition;
- the Issuer has demonstrated it would have been in compliance with the financial covenant as at the most recent testing date (on a pro forma basis assuming the relevant prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition had been made on the first day of the testing period); and
- in the event the prepayment, purchase, defeasement, redemption (or otherwise retirement for value) or acquisition follows a Change of Control, the Issuer has fully complied with its obligations set out in the Senior Revolving Credit Facility in relation to such Change of Control.

In the event that members of the Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in aggregate exceed 50% of the aggregate principal amount of the Original Notes, the Issuer is obligated to match the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition by a simultaneous cancellation and, if necessary, repayment of an equal amount under the Senior Revolving Credit Facility.

Events of Default

The Senior Revolving Credit Facility contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, a cross-default with respect to an event of default under, and as defined in, the Senior Notes Documents, non-payment, misrepresentation, breach of covenant, insolvency and insolvency proceedings, unlawfulness, litigation, expropriation and material adverse change the occurrence of which would allow the Agent (who shall do so if directed by the required majority of the lenders) to accelerate all or part of the outstanding utilisations and/or terminate the commitments and/or declare all or part of the utilizations payable on demand and/or declare that cash cover in respect of ancillary facilities is immediately due and payable and/or exercise any of its rights and remedies under the Senior Revolving Credit Facility and other related finance documents.

Governing law

The Senior Revolving Credit Facility and any non-contractual obligations arising out of or in connection with it will be governed by and construed and enforced in accordance with German law.

INTERCREDITOR AGREEMENT

On or prior to the Issue Date, the Issuer, the Senior Holders' Representative, the Security Agent, the lenders under the Senior Revolving Credit Facility and others intend to enter into an amendment agreement in relation to the existing Intercreditor Agreement, with relevant amendments to become automatically effective (such date, the "**Intercreditor Amendment Effective Date**") upon the redemption of the Existing Notes on the Redemption Date and the fulfillment of certain conditions precedent, to govern the relationships and relative priorities among (i) the creditors of the Senior Revolving Credit Facility (the "**Lenders**"); (ii) the Senior Holders' Representative on behalf of itself and the holders of the Senior Notes; (iii) future hedge counterparties under certain hedging agreements (the "**Hedge Counterparties**"); (iv) cash management providers under certain cash management agreements (the "**Cash Management Providers**") (v) certain future creditors of the Group; (vi) certain intra-group creditors and debtors; (vii) various creditor representatives; and (viii) Commerzbank Aktingesellschaft as the Security Agent. Any referene to "**Intercreditor Agreement**" under this subsection "*—Intercreditor Agreement*" shall refer to the Intercreditor Agreement as in effect from the Intercreditor Amendment Effective Date.

The Issuer and each of its affiliates that incurs any liability or provides any guarantee under the Senior Revolving Credit Facility or the Senior Notes Documents or the pari passu debt documentation are together referred to in this description as "**Debtors**".

The Intercreditor Agreement will, among other things, set out:

- the relative ranking of certain indebtedness of the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- when enforcement actions can be taken in respect of the transaction security;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the transaction security.

The Intercreditor Agreement will contain provisions relating to indebtedness incurred by the Debtors that is permitted by the terms of the Senior Revolving Credit Facility and the Senior Notes Documents, which ranks *pari passu* to the Notes and is secured by the transaction security (the "**Pari Passu Debt**"), subject to the terms of the Intercreditor Agreement.

The following description is a summary of certain provisions that will be contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the holders of the Notes.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions regarding permitted payments and application of proceeds following an enforcement event as set out below, that the right and priority of payment of all present and future liabilities and obligations under the Senior Revolving Credit Facility (the "**Credit Facility Liabilities**"), the hedging agreements entered into by the Hedge Counterparties (the "**Hedging Liabilities**"), the cash management agreements entered into by the Cash Management Providers (the "**Cash Management Liabilities**"), the Notes (the "**Senior Notes Liabilities**") and the Pari Passu Debt will rank *pari passu* in right and priority of payment without any preference between them. These liabilities will rank ahead of any liabilities of the Debtors to the Issuer and its subsidiaries (the "**Intra-Group Liabilities**") or any debt to a holding company or a member of the Group that is not a Restricted Subsidiary (the "**Structural Liabilities**" and, together with the Intra-Group Liabilities, the "**Subordinated Liabilities**"). The Intercreditor Agreement does not purport to rank the Subordinated Liabilities among themselves.

Transaction Security

The Lenders, the Hedge Counterparties, the Cash Management Providers, the holders of the Notes, the Pari Passu Creditors, the creditor representatives and the Security Agent (together, the "**Secured Parties**") will benefit from a guarantee and security package. Subject to the order of application of proceeds (see "*—Application of Proceeds*" below), the guarantee and security package shall rank and secure the Credit Facility Liabilities, the Hedging Liabilities, the Cash Management Liabilities, the Senior Notes Liabilities, the Pari Passu Debt, the creditor representative liabilities and the liabilities owed to the Security Agent *pari passu* and without preference between them. No Secured Party may take the benefit of any guarantee or security from the Guarantors unless such guarantee or security is also offered (to the extent legally possible) for the benefit of the other Secured Parties.

In addition, the Intercreditor Agreement provides that the guarantees and transaction security will be released in certain circumstances described further below in "*—Release of Security and Guarantees—Non-distressed Disposals*" and "*—Release of Security and Guarantees—Distressed Disposals*".

Permitted Payments

The Intercreditor Agreement will permit payments to be made by the Debtors under the Senior Revolving Credit Facility, the Senior Notes Documents and any Pari Passu Debt documentation (provided such payments are permitted under those documents). The Intercreditor Agreement will also not prohibit payments to creditors of Intra-Group Liabilities, provided that there has been no acceleration event under any of the Senior Revolving Credit Facility, the Notes or the Pari Passu Debt (subject to exceptions). No payments may be made in respect of Structural Liabilities except as permitted by the Senior Revolving Credit Facility, the Senior Notes Documents and the Pari Passu Debt documentation or if after an acceleration under any of the Senior Revolving Credit Facility, the Notes or the Pari Passu Debt or enforcement of the Transaction Security unless the required majority of each class of debt has consented. In order to assist enforcement in certain jurisdictions, the Security Agent holds a parallel claim, in an amount equal to the Secured Liabilities at any time, against the Debtors. Any payment of the Secured Liabilities reduces the Security Agent's claim by an equal amount.

There are also restrictions on payments to Hedge Counterparties and Cash Management Providers, respectively, except certain specified permitted payments.

An acceleration event includes a non-payment event of default under the Senior Revolving Credit Facility or the relevant creditor representative making demand for or accelerating payment of amounts outstanding under the Senior Revolving Credit Facility, or any other equivalent acceleration provisions under the Senior Notes Documents and/or the Pari Passu Debt documentation.

Limitations on Enforcement

For the purposes of enforcement, the Lenders and their creditor representatives, any Hedge Counterparty to the extent of their priority Hedging Liabilities and any Cash Management Providers are referred to as the "**Super Senior Creditors**". Up to 40 million in aggregate of Hedging Liabilities may be designated as priority Hedging Liabilities.

If the transaction security has become enforceable and any of the Super Senior Creditors, the holders of the Senior Notes (acting through the Senior Holders' Representative) or the Pari Passu Creditors wish to enforce the transaction security, either (a) the majority Super Senior Creditors or (b) the Majority Senior Creditors must give notice of the proposed instructions as to enforcement (the "**Shared Security Notice**") to the creditor representatives for the other creditor classes and the Security Agent. The giving of this notice triggers a 30 day consultation period during which time the creditor representatives for each of the creditor classes must discuss the proposals in good faith with a view to co-ordinating the proposed instructions. During the consultation period, but subject to certain exceptions, the Secured Parties may not accelerate their respective Liabilities owed to them under the Debt Documents nor close-out any hedging transactions.

The "**Majority Senior Creditors**" means a simple majority of the aggregate outstanding principal amount (plus capitalised interest) of a combined class of holders of the Senior Notes and Pari Passu Creditors and of the termination or close out amounts of Hedging Counterparties (to the extent priority Hedging Liabilities).

A creditor representative is not obliged to consult as described above (or shall only be obliged to consult for a shorter period) if:

- a insolvency event has occurred and is continuing in relation to a Debtor;
- an event of default is continuing in relation to liabilities owed to the relevant creditor group and that creditor group (acting reasonably and in good faith) determines, and notifies the creditor representatives, that to do so and thereby delay enforcement could reasonably be expected to have a material adverse effect on (A) the Security Agent's ability to enforce any of the transaction security; or (B) the realization proceeds available to that creditor group of any enforcement of the Transaction Security in any material respect; or
- the creditor representatives so agree.

Conflicting Enforcement Instructions

At the end of the consultation period, the Security Agent shall act on the instructions of the Instructing Group. If the Security Agent does not receive any instructions from the Instructing Group as to enforcement following the consultation period, the Security Agent shall take no action. The Instructing Group consists of (i) the majority Super Senior Creditors and (ii) the Majority Senior Creditors, in each case acting through their creditor representatives.

If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who can constitute the Instructing Group (or if a creditor representative of a class of creditors fails to give instructions), then provided that the Majority Senior Creditors have complied with the consultation obligations in the Intercreditor Agreement and, those instructions are consistent with the security enforcement principles (see further below), the instructions as to enforcement from the Majority Senior Creditors will prevail over those of the majority Super Senior Creditors and the Majority Senior Creditors will constitute the Instructing Group. If the Majority Senior Creditors fail to give any enforcement instructions during the consultation period or instruct that there is no enforcement, the Security Agent will take no enforcement action.

If (a) the Security Agent has not taken any enforcement action within 3 months of the date of the first shared security notice was issued; (b) the Super Senior Creditors have not been repaid in full in cash within 6 months of the date the first Shared Security Notice was issued; or (c) an insolvency event occurs in respect of a Debtor and the Security Agent has not commenced enforcement, any enforcement instructions given by the majority Super Senior Creditors will then prevail, provided that they are consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles which include:

- achieving the security enforcement objective, which is to maximise, so far as is consistent with the prompt and expeditious realization of value from enforcement of the transaction security, the recoveries of all Secured Parties;
- all enforcement proceeds will be received in cash by the Security Agent or sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that after distribution in accordance with the Intercreditor Agreement, the Credit Facility Liabilities, priority Hedging Liabilities and Cash Management Liabilities will be repaid and discharged in full;

- all enforcement action must be prompt and expeditious and reasonably expected to realise proceeds from enforcement within six months of receipt by the Security Agent of initial enforcement instructions;
- to the extent that the enforcement is over transaction security with an aggregate book value exceeding €5,000,000 (or its equivalent) or over all of the shares in a member of the restricted group which are secured, the Security Agent shall obtain an opinion from a "big four" accounting firm, a recognised independent investment bank or other reputable independent third-party professional firm that is regularly engaged in providing valuations of the relevant type and size of assets, as to whether the amount received in connection with such enforcement is fair from a financial point of view taking into account all relevant circumstances (the ***Financial Advisor Opinion***);
- the Financial Advisor Opinion will be conclusive evidence that the security enforcement objective and the security enforcement principles have been met; and
- if the enforcement is by way of public auction, no Financial Advisor Opinion is required.

Turnover

Subject to certain exclusions, if any Lender, Pari Passu Creditor (other than a Holder), Hedge Counterparty or Cash Management Provider (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any transaction security or the proceeds of any demand made in respect of any guarantee liability of any Debtor, except in accordance with "*—Application of Proceeds*" below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount (net of third-party costs and taxes) on trust for the Security Agent and promptly pay an amount equal to that amount (net of third-party costs and taxes) to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery (net of third-party costs and taxes) to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

There is also a general turnover obligation on the subordinated creditors to turnover to the Security Agent all amounts which are not permitted payments made in accordance with the Intercreditor Agreement.

Application of Proceeds

All amounts from time to time received pursuant to the provisions described under "*—Turnover*" above or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the transaction security or Guarantee or otherwise paid to the Security Agent under the Intercreditor Agreement or any Debt Document shall be held on trust by the Security Agent and applied at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by law, in the following order:

- first, in discharging any sums owing to the Security Agent, any receiver or any delegate;
- second, *pari passu* and *pro rata*, to each creditor representative, including all costs and expenses incurred in connection with any enforcement;
- third, *pari passu* and *pro rata*, in payment to the creditor representative of the Lenders for application towards the discharge of the Credit Facility Liabilities, to the arrangers of the Credit Facility Agreement, the Hedge Counterparties in respect of their priority Hedging Liabilities and Cash Management Providers in respect of their Cash Management Liabilities;
- fourth, *pari passu* and *pro rata*, in payment to (i) the respective paying agent on behalf of the holders of the Notes for application towards the discharge of the Senior Notes Liabilities in accordance with the Senior Notes Documents; (ii) the creditor representatives of the Pair Passu Creditors for application towards the discharge of the Pari Passu Debt; and (iii) the Hedge Counterparties for application towards the discharge of the remaining Hedging Liabilities;
- fifth, in payment to any person the Security Agent is obliged to pay in priority to any Debtor; and
- sixth, in payment of the surplus (if any) to the relevant Debtor.

Option to Purchase

Any holders of the Notes and Pari Passu Creditors may, after an Acceleration Event or an enforcement, and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the Lenders and the Pari Passu Loan Creditors), exercise an option to purchase in full and in cash the Credit Facility Liability, any Pari Passu Liabilities incurred to refinance the Creditor Facility Liability in full, any priority Hedging Liabilities and any Cash Management Liabilities, at par.

Release of Security and Guarantees-Non-Distressed Disposals

In circumstances where a disposal (i.e. a disposal of an asset by a Debtor which is subject to the Transaction Security or a disposal of the shares in the capital of any holding company of a Debtor which is not otherwise prohibited by the terms of the Senior Revolving Credit Facility, the Senior Notes Documents and the Pari Passu Debt documentation) is not a distressed disposal, the Intercreditor Agreement will provide that the Security Agent is irrevocably authorised and instructed to deliver:

- any release of the transaction security and any other claim over that asset;
- where that asset consists of shares in the capital of a Debtor, any release of the transaction security and any other claim over that Debtor's property and/or the shares in, and property of, any of its subsidiaries;
- any release of any transaction security and any other claim granted by any subsidiary of that holding company over any of its assets;
- where that asset consists of shares in the capital of a holding company of a Debtor, any release of the transaction security and any other claims granted by or over that holding company or any subsidiary of that holding company over any of its or their assets; and
- any release of the transaction security or any claim described above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may be reasonably requested by the relevant Debtor,

provided that in the case of a disposal to another member of the Group, the release of the security interests over the transaction security is not prohibited under the terms of the Senior Revolving Credit Facility, the Senior Notes Documents or any Pari Passu Debt documentation and any required replacement security is granted by the transferee before or at the same time as the release if required by the terms of the Senior Revolving Credit Facility, the Senior Notes Documents or Pari Passu Debt documentation, any proceeds from the disposal are to be applied in mandatory prepayment of the relevant debt.

Release of Security and Guarantees-Distressed Disposals

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement will provide that the Security Agent is irrevocably authorised and instructed:

- to release the transaction security or any other claim over the relevant asset and execute and deliver or enter into any release of that transaction security, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- if the asset that is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Senior Notes) and certain other liabilities; (ii) any transaction security granted over that Debtor's assets and the assets of any of its subsidiaries; and (iii) any other claim of a Debtor or intra-group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- if the asset that is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any transaction security granted over the assets of any subsidiary of that holding company; and (iii) any other claim of a Debtor or intra-group lender over the assets of any subsidiary of that holding company;

- provided always that the disposal is in accordance with the security enforcement principles, if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Senior Notes), certain other liabilities, and other intra-group receivables; and
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described under "*—Application of Proceeds*".

Amendment

The Intercreditor Agreement may only be amended with the consent of the majority Super Senior Creditors, the required percentage of holders of the Notes (acting through the Senior Holders' Representative) (as set out in the Senior Notes Documents) or the written consent of the Senior Holders' Representative (acting in accordance with the terms of the Senior Notes Documents), the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation) or the written consent of the creditor representative of the Pari Passu Creditors (acting in accordance with the terms of the relevant Pari Passu Debt documentation), the Issuer and the Security Agent unless it relates to certain specified matters such as ranking, priority, turnover, redistribution, enforcement, disposal proceeds, application of enforcement proceeds and security enforcement priniciples. Such amendments require consent from all Super Senior Lenders, holders of the Notes (acting through the Senior Holders' Representative and in accordance with the Conditions of Issue), the Pari Passu Debt representative (acting in accordance with the terms of the Pari Passu Debt documentation), each Hedge Counterparty (to the extent such amendments adversely affect it), each Cash Management Provider (to the extent such amendments adversely affect it), the Issuer (except for amendments to the security enforcement principles) and the Security Agent, provided that where an amendment or waiver only relates to the ranking order of priority or subordination or, or application of proceeds of enforcement to creditors ranking after another group of creditors, the consent of such group of creditors shall not be required.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party.

The Intercreditor Agreement may be amended without the consent of the holders of the Senior Notes in certain circumstances.

To the extent the Debtors wish to enter into Pari Passu Debt or other additional or replacement indebtedness ("**Additional Debtedness**") which is permitted to share in the transaction security pursuant to the Senior Revolving Credit Facility, Senior Notes Documents and other Pari Passu Debt documentation, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement on substantially the same terms as the Intercreditor Agreement.

The Intercreditor Agreement also permits the Security Agent (subject to the terms of the Senior Revolving Credit Facility) to enter into new or supplemental security and/or release and retake Transaction Security if certain conditions are met.

ABS PROGRAM

We optimize our liquidity by selling a portion of our trade receivables as part of an off-balance asset backed securities (ABS) program. Based on agreements we entered into with, *inter alia*, Commerzbank AG and Raiffeisenbank International AG in 2014, the Issuer, Wepa Professional GmbH, Wepa Italia S.r.l. and Wepa France S.A.S. sell their trade receivables to a special purpose vehicle (named LuxST Finance S.A.) on a non-recourse basis in return for an immediate cash payment. In order to cover the credit risk, we are paid the nominal amount of the sold receivables minus a purchase price discount and transaction costs. Trade receivables are sold on a revolving basis with a maximum aggregate transaction volume of currently €110 million. The ABS Program contains representations, warranties and covenants typical to asset backed security financing programs, including representations and warranties as to the eligibility of receivables sold under the ABS Program. As of March 31, 2016, we had €80.8 million of receivables financed under our ABS Program.

WAREHOUSE LEASE ARRANGEMENTS

We have financed the construction and/or improvement of certain of our warehouses through financial lease agreements. For more details, see "*Business—Warehouse Lease Agreements*".

BILATERAL LOANS

Our subsidiary WEPA Kraftwerk GmbH has entered into two separate loan agreements with Volksbank Sauerland. As of March 31, 2016, WEPA Kraftwerk GmbH owed €2.1 million under those two loan agreements. These loans are secured by security over a gas turbine and a biogas plant.

CAPEX FACILITY

On December 18, 2015, we entered into a €60 million capex facility agreement with the lenders and certain other parties under the existing Senior Revolving Credit Facility agreement in order to finance certain contemplated expansion projects. This capex facility is currently undrawn and will be cancelled on our about the Issue Date.

DESCRIPTION OF THE NOTES

WEPA Hygieneprodukte GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under German law (the "**Issuer**") will issue €450,000,000 aggregate principal amount of euro-denominated senior secured notes due 2024 (the "**Notes**") in accordance with the conditions of issue (the "**Conditions of Issue**") to be dated the Issue Date. In this "*Description of the Notes*", the term "**Issuer**" refers to Wepa Hygieneprodukte GmbH only and not to any of its subsidiaries and the term "**Parent**" refers to Wepa Industrieholding SE and not any of its subsidiaries.

The following describes the material provisions of the Notes, the Conditions of Issue, the Note Guarantees, the Security Documents and refers to the Intercreditor Agreement and is subject, and is qualified in its entirety by reference, to all of the provisions of the Notes, the Conditions of Issue, the Security Documents and the Intercreditor Agreement. We urge you to read the Conditions of Issue, the Notes, the Note Guarantees, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Conditions of Issue, the Notes, the Guarantee Agreement, the Security Documents and the Intercreditor Agreement are available as set forth under "*Listing and General Information*". You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*".

General

The Notes

The Notes will be governed by German law and will:

- constitute senior obligations of the Issuer;
- rank equal in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes, including obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities;
- be secured by the Collateral (as defined below) along with obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities (but will receive proceeds from an enforcement of the Collateral (as defined below) only after all obligations secured on a super priority basis, including obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities, have been paid in full);
- rank senior in right of payment to any existing and future subordinated Indebtedness of the Issuer;
- rank effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral (as defined below) that is available to satisfy the obligations of the Issuer under the Notes;
- be effectively subordinated to the Issuer's existing and future secured Indebtedness that is secured by property or assets that do not secure the Notes, to the extent of the value of such property or assets securing such Indebtedness; and
- be structurally subordinated to all existing and future obligations of the Issuer's Subsidiaries that are not Guarantors (as defined below).

The Notes Guarantees

The Notes will initially be guaranteed on a senior basis by each Restricted Subsidiary of the Issuer which guarantees the Senior Revolving Credit Facility (the "**Initial Notes Guarantees**"). As of the Issue Date, the Notes will be guaranteed by WEPA International GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Leuna GmbH, WEPA Italia S.r.l., WEPA France S.A.S., WEPA Professional GmbH, WEPA Kraftwerk GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Professional Piechowice SA and WEPA Produktion GmbH & Co. KG (each an "**Initial Guarantor**" and such entities collectively the "**Initial Guarantors**").

With effect of and following the Issue Date, the Guarantors, jointly and severally, guarantee by way of an independent payment obligation (*selbständiges Zahlungsversprechen*) unconditionally and irrevocably, on (subject to the limitations set out below) a senior basis, the full and punctual payment of all amounts payable under the Notes when due. The Note Guarantees are agreed in a separate agreement among

Commerzbank Aktiengesellschaft, as Security Agent, and each Guarantor (the "**Guarantee Agreement**"). The Note Guarantees do not constitute contracts for the benefit of the holders of the Notes or the Holders' Representative (as defined below) from time to time as third party beneficiaries in accordance with Section 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) and do not give rise to the right of each holder of any Notes or the Holders' Representative to require performance of the Note Guarantees directly from the Guarantors and to enforce the Note Guarantees directly against the Guarantors. A copy of the Guarantee Agreement may be inspected and obtained free of charge at the principal office of the Paying Agent during normal business hours.

The Issuer may from time to time be required to procure from certain of its Subsidiaries (each, an "**Additional Guarantor**", and collectively with the Initial Guarantors, the "**Guarantors**") the issuance of additional guarantees pursuant to the provisions set forth under "*—Covenants—Future Guarantors*" below. Any such guarantee (an "**Additional Note Guarantee**" and, together with the Initial Note Guarantees, the "**Note Guarantees**") shall be issued on substantially the same terms as the Initial Note Guarantees and be subject to limitations and restrictions as set forth under "*—Covenants—Future Guarantors*". See "*Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*".

The term "**Note Guarantees**" shall also include any such Additional Note Guarantees and the term "**Guarantors**" shall also include any such Additional Guarantors.

The obligations under the Note Guarantees issued by Guarantors will be limited as necessary under the terms of such Note Guarantees to prevent the Note Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable statutory provisions. The Note Guarantees may be subject to claims that they should be subordinated or voided in favor of our existing and future creditors under capital maintenance and other laws in Germany and other relevant jurisdictions.

Subject to the above, the Note Guarantee of each Guarantor will:

- constitute direct, unconditional and irrevocable senior obligations of such Guarantor;
- rank equal in right of payment with all of such Guarantor's existing and future obligations that are not subordinated in right of payment to the relevant Guarantee, including obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities;
- be secured by the Collateral along with its obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities (but will receive proceeds from an enforcement of the Collateral only after all obligations secured on a super priority basis, including its obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities, have been paid in full);
- rank senior in right of payment to any existing and future subordinated Indebtedness of the relevant Guarantor;
- effectively rank senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations of the relevant Guarantor under the applicable Note Guarantee;
- effectively rank senior in right of payment to any existing or future obligations of the relevant Guarantor secured on the Collateral on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the applicable Note Guarantee;
- be subject to limitations described herein; and
- be effectively subordinated to such Guarantor's existing and future secured Indebtedness that is secured by property or assets that do not secure the Guarantee of such Guarantor, to the extent of the value of such property or assets securing such Indebtedness.

Not all of the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or any Guarantor. During the twelve-month period ended March 31, 2016, the Issuer and the

Guarantors generated 100.0% of our consolidated revenues (effects of intra-group transactions eliminated) and 96.3% of our Consolidated EBITDA (effects of intra-group transactions eliminated), respectively, and as of March 31, 2016, held 92.4% of our Total Assets (effects of intra-group relations eliminated). See "*Risks Factors—Risks Related to the Notes—The Notes and each of the Guarantees are each be structurally subordinated to the liabilities of our non-guarantor subsidiaries.*"

The operations of the Issuer are conducted through its Subsidiaries and, therefore the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be structurally subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Guarantor Subsidiaries.

Additional Notes

The Issuer may, without the consent of the Holders, issue additional Notes (the "**Additional Notes**") under the Conditions of Issue from time to time after this offering having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the commencement of interest payment obligations and/or the issue price). Any issuance of Additional Notes is subject to all of the covenants in the Conditions of Issue including the covenant described below under "*—Covenants—Limitation on Indebtedness*". The Notes and any Additional Notes subsequently issued under the Conditions of Issue will be consolidated with, form a single series with and increase the aggregate principal amount of the Notes; *provided*, however, that such Additional Notes that are not fungible with the Notes for U.S. federal income tax purposes shall have a separate common code, ISIN or other identifying number different from the Notes. Unless the context requires otherwise, references in this "*Description of the Notes*" to the Notes include the Notes and any Additional Notes that are issued.

Principal, Maturity and Interest

The Issuer will issue €450,000,000 aggregate principal amount of Notes in this offering. The Notes will mature on May 15, 2024 (the "**Maturity Date**") at their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the Maturity Date. The Notes will be issued in denominations of €1,000, which will be transferable only in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. For the purposes of the secondary market trading on the Luxembourg Stock Exchange, the minimum transfer amount is one Note.

Interest on the Notes will accrue on their outstanding aggregate principal amount at the rate of % per annum from and including the Issue Date to but excluding the Maturity Date and will be payable semi-annually in arrears on May 15 and November 15 of each year commencing on November 15, 2016. The Notes shall cease to bear interest at the end of the day immediately preceding the relevant due date for repayment. Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

A Default shall occur, irrespective of any notice, if any amounts payable under the Notes are not paid when due. Any due and unpaid amount of principal shall, irrespective of any notice and for so long as such Default remains outstanding, bear additional default interest at a rate equal to 1% per annum from and including the relevant due date to but excluding the date of payment.

The rights of Holders to receive the payments of interest on the Notes will be subject to the relevant procedures of Clearstream Banking AG, Frankfurt am Main ("**Clearstream Banking**"). If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day, and the Holders will not be entitled to any further interest or other payment as a result of any such delay.

Payments of principal, premium and Additional Amounts, if any, and interest on the Notes will be made to the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders of the Clearing System and, in case of principal, upon presentation and surrender of the Global Notes. See "*—Book-Entry; Delivery and Form*". Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes. No service charge will be payable for any registration of transfer or redemption of Notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any transfer tax or other similar governmental charge that may be imposed in connection therewith.

Book-entry; Delivery and Form

The Notes will be represented by two global notes in bearer form without interest coupons, one of which shall represent Notes sold to qualified institutional buyers (as defined in, and in reliance on, Rule 144A under the Securities Act) (such global note, the "**144A Global Note**") and the other of which shall represent Notes sold outside the United States to persons other than U.S. persons as defined in, and in reliance on, Regulation S under the Securities Act (such global note, the "**Reg S Global Note**" and, together with the 144A Global Note, the "**Global Notes**"). Definitive notes representing individual Notes and interest coupons shall not be issued. The Global Notes will be deposited with Clearstream Banking. Ownership of interests in the Global Notes, referred to as "book-entry interests", will be limited to persons that have accounts with Clearstream Banking (such persons, "**participants**") or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Clearstream Banking and its participants.

Security; Release of Collateral

The payment obligations of the Issuer under the Notes and the Guarantors under the Note Guarantees will be secured by first-ranking Liens (subject to any Permitted Collateral Liens, applicable perfection requirements and exceptions and limitations described herein) over the collateral set out below (collectively, the "**Collateral**"):

(a) all the shares of or the partnership interests in the Issuer, each Guarantor and WEPA Produktion Verwaltung GmbH, as applicable (*provided* that a pledge over the shares in WEPA Italia S.r.l. will only be granted on or about the Redemption Date);

(b) all existing and future loans held by the Parent against the Issuer;

(c) certain machinery and equipment of the Issuer, WEPA Professional GmbH, WEPA Leuna GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG and WEPA Produktion GmbH & Co. KG; and

(d) charges over certain real property of WEPA Grundbesitz GmbH & Co KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG.

Security to be provided will be given in accordance with the Agreed Security Principles as set forth in the Intercreditor Agreement including the following:

- all Security granted may have to be limited to the extent advised by local counsel and tax advisers as being necessary to comply with local legal requirements and recommended tax structuring;
- general statutory limitations, capital maintenance rules, financial assistance, corporate benefit, fraudulent preference, thin capitalisation rules (or analogous restrictions), retention of title claims and similar principles may limit the ability of a Guarantor to provide security;
- the security and extent of its perfection will be agreed taking into account the cost to the group of providing security and the proportionate benefit accruing to the beneficiaries of that security; in determining whether or not security shall be taken or perfected due regard shall be made to the applicable cost and a cost/benefit analysis, which shall include that no costs must be incurred which is materially disproportionate to the benefit obtained by the beneficiaries of that security;
- in the case of any joint venture or non-wholly-owned Subsidiary, the joint venture agreement or any other agreement or the law generally may contain restrictions on providing guarantees or security;
- any assets subject to third-party arrangements which are permitted by the Senior Revolving Credit Facility and the Conditions of Issue and which prevent those assets from being charged will be excluded from the taking of security in any relevant security document provided that all reasonable endeavours to obtain consent to charging any such assets shall be used by the relevant Guarantor if the relevant asset is material;
- Guarantors will not be required to enter into security documents if that would conflict with the fiduciary duties of their directors or contravene any legal prohibition or result in a risk of personal or criminal liability on the part of any officer provided that the relevant company shall use all reasonable endeavours to overcome any such obstacle;

- the maximum granted or secured amount may be limited to minimise stamp duty, notarisation, registration or other applicable fees, taxes and duties where the benefit of increasing the granted or secured amount is disproportionate to the level of such fee, taxes and duties;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- the costs of granting real property security must not be excessive and the amount secured by each security over real estate may be restricted to an agreed level; and
- local law restrictions may mean that the Secured Creditors may not be able to benefit from the same security.

The share pledges and the interest pledges indicated above will be established pursuant to the Security Documents with the Security Agent acting for the benefit of the Holders and with the creditors under the Senior Revolving Credit Facility. The other Collateral will be established pursuant to the Security Documents with the Security Agent acting for the benefit of the Holders and the creditors under the Senior Revolving Credit Facility being the legal holder of the security interests in the Collateral. Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions which, in the case of some Collateral will not be completed until after the Issue Date.

Subject to the Agreed Security Principles, if machinery, other equipment or real property located in Germany, which individually is worth €5 million or more, is acquired by the Issuer or any Guarantor that is not automatically subject to a perfected security interest under the Security Documents, but will be subject to a security interest in favor of the lenders under the Senior Revolving Credit Facility, then (to the extent the security interest is not already granted in favor of the Security Agent for the Holders) the Issuer or such Guarantor will within three month, with respect to acquired machinery or other equipment, and within six months, with respect to acquired real property provide security over such assets or property in favor of the Security Agent. Pursuant to the Agreed Security Principles, no security shall be granted in favor of the Security Agent or the Holders over after-acquired machinery, equipment or real property which (in accordance with the Conditions of Issue, Senior Revolving Credit Facility and Intercreditor Agreement) are subject to a Permitted Lien which secures Indebtedness Incurred in connection with the acquisition or development of such machinery, equipment or real property.

The Security Agent will (i) release the Liens over the shares, property and other assets constituting Collateral in accordance with the terms provided therefor in the Conditions of Issue, the Security Documents and the Intercreditor Agreement and (ii) at the request of the Issuer, a Guarantor or another security provider upon having received an Officers' Request Certificate and Opinion of Counsel certifying compliance with this paragraph, release the relevant Collateral or execute such other appropriate instrument evidencing such release (in the form provided by and at the expense of the Issuer or the relevant security provider) under one or more of the following circumstances (without any such release requiring the consent of the Holders' Representative or the Holders):

(a) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) the Issuer or any of its Restricted Subsidiaries, if the sale, assignment, transfer, conveyance or other disposition does not violate the provisions described under "*—Covenants—Limitation on Sales of Assets*" below and is otherwise in compliance with the Conditions of Issue;

(b) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Conditions of Issue, the release of the property, assets and Capital Stock, of such Guarantor which was part of the Collateral;

(c) if the Issuer designates any of its Restricted Subsidiaries to be an Unrestricted Subsidiary as permitted under and in compliance with the Conditions of Issue, the release of the property, assets and Capital Stock of such Restricted Subsidiary;

(d) upon redemption of all the Notes as provided below under "*—Optional Redemption*" or "*—Early Redemption for Taxation Reasons*";

(e) in connection with an enforcement action taken by certain secured creditors of the Issuer and its Restricted Subsidiaries in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(f) as provided for under "—*Amendments and Waivers*";

(g) as a result of a transaction permitted by the covenant described below under "—*Covenants—Merger and Consolidation*";

(h) upon satisfaction and discharge of the Notes or legal defeasance or covenant defeasance as provided below under "—*Legal Defeasance or Covenant Defeasance*";

(i) in connection with the granting or creation of any Liens on assets or property in accordance with clause (29) of the definition of "Permitted Liens", the release of any real property or portion of real property constituting Collateral on which any such assets or property are being installed or constructed or proposed to be installed or constructed; provided that (a) the relevant real property or portion of real property constitutes un-built land without any building constructed thereon; (b) the Security Agent shall only be required to release the Liens on a portion of the real property as reasonably required (as determined in good faith by the Issuer's Board of Directors) for the financing, refinancing, construction, installation or operation of the paper machine(s); and (c) any division of real property, if applicable, shall not materially impair the value of the portion of the remaining real property (as determined in good faith by the Issuer's Board of Directors); provided further that the Security Agent shall take any other actions reasonably requested by the Issuer or a Guarantor to permit the creation of first-ranking Liens over such real property in accordance with clause (29) of the definition of "Permitted Liens", including by facilitating the division of the relevant real property into separate parcels;

(j) with respect to any property or assets that become Collateral securing the Notes and/or any Note Guarantee pursuant to clause (a)(ii) of the covenant "—*Limitation on Liens*", upon the release and discharge (other than as a result of an enforcement action) of the Initial Lien, to the extent that such Lien does not secure any Indebtedness incurred under clause (i) of the second paragraph of the covenant "—*Covenants—Limitation on Indebtedness*"; or

(k) as provided for in the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Security Agent shall be entitled to accept such Officers' Request Certificate and Opinion of Counsel as sufficient evidence of compliance with this paragraph, in which event it shall be conclusive and binding on the Holders.

The Security Agent will take all necessary action required to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Conditions of Issue, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Holders' Representative.

The creditors under the Senior Revolving Credit Facility and the Holders' Representative, in its own name and for the benefit of the Holders, appointed Commerzbank Aktiengesellschaft, as Security Agent, to act as their agent and security trustee under the Intercreditor Agreement and the Security Documents and irrevocably authorized the Security Agent to:

(a) perform the duties and exercise the rights, powers and discretions that are specifically given to them under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions;

(b) execute each Security Document on their behalf and any waiver, modification, amendment, renewal or replacement permitted by the Conditions of Issue and the Intercreditor Agreement; and

(c) administer and enforce any security interest with respect to any Collateral, subject to the terms and conditions and limitations contained in the Intercreditor Agreement and the Security Documents.

Intercreditor Agreement

To establish the relative rights of certain creditors of the Issuer under its financing arrangements, including without limitation, the Senior Revolving Credit Facility, the Existing Notes, the note guarantees in relation to the Existing Notes and certain Hedging Obligations, the Issuer, the Guarantors, the Senior Revolving Credit Facility Lenders, the Security Agent and the holders' representative acting on behalf of the holders of the Existing Notes entered into the Intercreditor Agreement on May 8, 2013. On or prior to the Issue Date, the relevant parties to the Intercreditor Agreement, including the Holders' Representative, will enter into an amendment agreement to the Intercreditor Agreement with relevant amendments to become effective on the Redemption Date. Pursuant to the terms of such amended Intercreditor Agreement, any liabilities in respect of obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities that are secured by assets that also secure the Issuer's obligations under the Notes and the Guarantors' obligations under Note Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any proceeds received upon any enforcement action over any Collateral, after all obligations under the Senior Revolving Credit Facility, Priority Hedging Obligations and Cash Management Liabilities, as well as all obligations owing to the Security Agent, any receiver or delegate have been repaid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Conditions of Issue and the Notes and any other Pari Passu Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Conditions of Issue and the Intercreditor Agreement. For further details, see under "*Description of Other Indebtedness—Intercreditor Agreement*".

Furthermore, in addition to the Collateral, the payment obligations of the Issuer under the Notes and the Guarantors under the Note Guarantees will be secured from the Issue Date until the Redemption Date by first-ranking Liens (subject to any Permitted Collateral Liens, applicable perfection requirements and exceptions and limitations described herein) over certain intercompany loans, insurance receivables and banks accounts held by the Issuer and certain German Guarantors which will be governed by the Intercreditor Agreement as in effect on the Issue Date. Following the redemption of all the Existing Notes, the Security Agent will take all necessary action required to effectuate the release of such Liens over such additional collateral without requiring the consent of the Holders or any action on the part of the Holders' Representative.

Release of Note Guarantees

A Note Guarantee shall be released and discharged, automatically, unconditionally and without further action on the part of the Security Agent:

(a) in the case of a Note Guarantee of a Guarantor, in the event of any sale, exchange or transfer (including by merger or otherwise) (i) of the Capital Stock of a Guarantor, after which the applicable Guarantor is no longer a Restricted Subsidiary, or (ii) of all or substantially all the assets of such Guarantor to a Person that is not the Issuer or a Restricted Subsidiary, in each of sub-clauses (i) and (ii) of this clause (a), which sale, exchange or transfer is permitted under, and made in compliance with, the Conditions of Issue;

(b) upon the release of the Guarantee of Indebtedness that resulted in the creation of the relevant Note Guarantee under the covenant described below under "*—Covenants—Future Guarantors*" 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;

(c) upon satisfaction and discharge of the Notes or legal defeasance or covenant defeasance as provided below under "*—Legal Defeasance or Covenant Defeasance*";

(d) upon redemption of all the Notes as provided below under "*—Optional Redemption*" or "*—Early Redemption for Taxation Reasons*";

(e) if the Issuer designates a Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with the Conditions of Issue;

(f) in accordance with the provisions of the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(g) as a result of a transaction permitted by the covenant described below under "*—Covenants—Merger and Consolidation*";

(h) as provided for under "*—Amendments and Waivers*"; or

(i) as provided for in the Note Guarantees.

No release and discharge of a Note Guarantee pursuant to clauses (b) and (e) above shall be effective (i) if a Default or an Event of Default has occurred and is continuing under the Conditions of Issue as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) if so requested by the Security Agent, until the Issuer shall have delivered to the Security Agent (x) an Officers' Request Certificate and (y) Opinion of Counsel, each stating that all conditions precedent set forth in the Conditions of Issue have been fulfilled and that such release and discharge is authorized and permitted pursuant to the Conditions of Issue. The Security Agent shall be entitled to accept such Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Security Agent, subject to receipt of certain documents from the Issuer or a Guarantor, will take all necessary action and execute any documents, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably required in order to evidence such release, discharge and termination in respect of any Note Guarantee to be released as described above. Neither the Issuer nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Restricted Subsidiaries

As of the Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries". However, under the circumstances described below under "*—Covenants—Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Conditions of Issue and will not guarantee the Notes.

Paying Agent, Transfer Agent and Holders' Representative

The Issuer will maintain for the Notes a Paying Agent (the "**Paying Agent**"), a Transfer Agent (the "**Transfer Agent**") and a Notification Agent ("**Notification Agent**") for communication by the Holders' Representative. The initial Paying Agent, Transfer Agent and Notification Agent will be Deutsche Bank AG.

The Issuer may appoint additional paying agents and transfer agents and revoke the appointment of any paying agent or transfer agent; *provided*, however, that (i) for as long as the Notes are listed on a stock exchange, the Issuer shall at all times ensure that a paying agent is appointed in the jurisdiction in which such stock exchange is located, if so required by the rules of such stock exchange and (ii) in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any member state of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other member states. Any such appointment or revocation shall be published without undue delay in accordance with the provisions set forth under "*—Notices*".

The Paying Agent and the Transfer Agent reserve the right at any time to change their specified offices. Any such change shall be published without undue delay in accordance with procedures set forth under "*—Notices*".

The common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of the Holders as provided for in the Conditions of Issue will be Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany. The Holders' Representative has the duties and powers provided for in the Conditions of Issue, the Intercreditor Agreement, by law or granted by resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant resolution or the Conditions of Issue. The Holders' Representative shall provide reports to the Holders on its activities. The provisions of the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz- SchVG)*, "**SchVG**") apply with regard to the removal of the Holders' Representative and its rights and obligations. Notwithstanding the next paragraph below, if the Holders choose to remove the Holders' Representative or if the Holders' Representative resigns and the Holders fail to appoint a successor Holders' Representative, the exercise of certain rights under the Conditions of Issue may require a meeting of the Holders and may be significantly more difficult to exercise.

The Holders' Representative may be removed from office at any time by majority resolution of the Holders without specifying any reasons; *provided* that the Holders shall only so remove the Holders' Representative if, at the same time, a successor Holders' Representative for the Notes is elected by the majority resolution of the Holders. The Holders' Representative may resign at any time by notifying the Issuer (in which case the Issuer shall notify the Holders in accordance with the notice provisions). If the Holders' Representative resigns, it shall call a vote without undue delay to elect a successor Holders' Representative. Any successor Holders' Representative shall also succeed the retiring Holders' Representative as a party to the Intercreditor Agreement.

The Holders' Representative will be liable for the proper performance of its duties towards the Holders who will be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager (*ordentlicher und gewissenhafter Geschäftsleiter* within the meaning of Section 7(3) SchVG). The total liability of the Holders' Representative to all Holders will be limited to €5,000,000 (or, if higher, an amount equal to ten times the Holders' Representative's aggregate annual compensation for its services as common representative of the Holders) in the aggregate, unless the Holders' Representative's liability has been caused by its gross negligence (*grobe Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) (in which case its liability shall be unlimited). The responsibilities and liability of the Holders' Representative is further limited as specified in the Conditions of Issue and may be further limited by a resolution passed by Holders.

The Holders' Representative shall not under any circumstances be liable for any consequential loss. The Holders' Representative shall be entitled to retain third party advisors if such appointment is, in its sole reasonable discretion, required in, or for the performance of, its duties and the Issuer will bear such costs. The Holders' Representative shall only be responsible for the proper selection of such third-party advisor (*Auswahlverschulden*), but shall otherwise be entitled to rely fully on the advice rendered by such third party advisor. In particular, the Holders' Representative is not responsible for the selection of the Security Agent and will have no responsibility towards the Holders or any other party for the validity, perfection, sufficiency, adequacy, insuring of, priority or enforceability of any Note Guarantee, Collateral, Intercreditor Agreement or Additional Intercreditor Agreement, regardless of whether entered in before or after the Issue Date.

The Holders' Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it.

Payment of Additional Amounts

All payments by or on behalf of the Issuer or, pursuant to the terms of the relevant Note Guarantee, any present or future Guarantor or any successor of any of the foregoing (each a "**Payor**") under or with respect to the Notes or any Note Guarantee shall be made free and clear of and without withholding or deduction for or on account of any Taxes, unless the deduction or withholding of such Taxes is required by law. If any withholding or deduction for, or on account of, any Taxes imposed by or on behalf of or levied within (i) the Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or a Note Guarantee is made, (iii) any other jurisdiction in which a Payor is organized or otherwise considered to be resident or conducts business for tax purposes or any (iv) province, municipality or other political subdivision or taxing authority in or of any such jurisdiction under foregoing (i) through (iii) (any such jurisdiction under foregoing (i) through (iv) a "**Relevant Tax Jurisdiction**"), will at any time be required to be made from any payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or any Note Guarantee, the relevant Payor shall pay (together with such payment) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction (including any deduction or withholding from such Additional Amounts) shall equal the respective amounts of principal and interest that would have been receivable in respect of the Notes, in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable with respect to:

(a) any Taxes, to the extent such Taxes are withheld, deducted or imposed by reason of the Holder or beneficial owner of a Note (or a fiduciary, settler, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) having, or having had, some personal or business connection with the Relevant Tax Jurisdiction (other than the mere acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Note Guarantee, or the receipt of any payments in respect of such Note or Note Guarantee) and not merely by reason of the fact that payments in respect of the Notes or any Note Guarantee are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Tax Jurisdiction;

(b) any Taxes withheld, deducted or imposed on a payment to or for an individual which is required to be made pursuant to the European Union Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive;

(c) any Taxes withheld, deducted or imposed by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the procedures set forth in "Notices", which ever occurs later;

(d) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Notes or any Note Guarantee;

(e) any Taxes imposed on a payment on a Note presented for payment (where presentation is required for payment) by or on behalf of a Holder who would have been able to avoid such Taxes by presenting the Note to another Paying Agent in a member state of the European Union;

(f) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;

(g) any Taxes, to the extent such Taxes are withheld, deducted or imposed by reason of the failure of the Holder, following the Issuer's written request addressed to the Holder (and made at a time that would enable the Holder acting reasonably to comply with that request, and in all events, at least 60 days before any such withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the Holder is not resident in the Relevant Tax Jurisdiction), but in each case, only to the extent the Holder is legally entitled to provide such certification or documentation;

(h) any Taxes, to the extent such Taxes are withheld, deducted or imposed under section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, as of the date of this offering memorandum (and any amended or successor version that is substantively comparable and not materially more onerous to comply with), including any current or future Treasury regulations or other official interpretations thereunder or any law implementing an intergovernmental agreement between a non-U.S. government and the United States with respect to the foregoing;

(i) any Taxes, to the extent such Taxes are withheld, deducted or imposed on or with respect to any payments under, or with respect to, the Notes or with respect to any Note Guarantee by reason of the Holder being, or having been a fiduciary or partnership or any person other than the sole beneficial owner of any such payments to the extent that such Taxes would not have been imposed or required to be withheld or deducted on such payments had such Holder been the sole beneficial owner of such Notes; or

(j) any combination of items (a) through (i) above.

In cases where the deduction or withholding of Taxes on or with respect to any payments under or with respect to the Notes or with respect to any Note Guarantee is required by law to be made by a Payor, the Payor will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such Taxes and will furnish to a Holder upon written request within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of tax receipts evidencing payment by the Payor, or if, notwithstanding the Payor's efforts to obtain receipts, receipts are not obtained, other reasonably satisfactory evidence of payments by the Payor.

If the Payor becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, at least 30 days prior to each date on which any payment under or with respect to the Notes or any Note Guarantee is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it must be promptly thereafter), the Payor will deliver to the Paying Agent an Officers' Request Certificate stating the fact that Additional Amounts will be payable, the amounts estimated to be payable and such other information necessary to enable the Paying Agent to inform the relevant Holders of the payment of such Additional Amounts in accordance with the procedures set forth in "—*Notices*" on the payment date.

The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies imposed by a Relevant Tax Jurisdiction (including penalties, interest and other liabilities related thereto) which arise from the execution, delivery, issuance or registration of the Notes or any Note Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes), or the receipt of any payments with respect to, or enforcement of, the Notes or any Note Guarantee.

Whenever in the Conditions of Issue or in this "*Description of the Notes*" there is mentioned, in any context, the payment or non-payment of principal, premium or interest, if any, or any other amount payable under or with respect to any Note or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the Conditions of Issue, any transfer by a Holder or beneficial owner of its Notes, and will apply, mutatis mutandis, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is organized or otherwise considered to be resident or conducts business for tax purposes or any jurisdiction from or through which any payment on the Notes or any Note Guarantee is made and any political subdivision or taxing authority or agency thereof or therein.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantors under or in connection with the Notes. Any amount received or recovered in a currency other than euro (the "**Required Currency**"), which is made to or for the account of any Holder in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Conditions of Issue and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such Holder, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder, as the case may be, the Issuer shall indemnify and hold harmless the Holder, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Conditions of Issue and shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Optional Redemption

At any time prior to May 15, 2019, the Issuer may on any one or more occasions redeem up to 35% of the original principal amount of the Notes (calculated after giving effect to any issuance of further Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date); *provided*, however, that:

(i) at least 65% of the original principal amount of the Notes (calculated after giving effect to any issuance of further Notes) remains outstanding after each such redemption; and

(ii) the redemption occurs within 90 days after the closing of such Equity Offering upon not less than 10 nor more than 60 days' prior notice.

At any time prior to May 15, 2019, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date).

Except pursuant to the preceding two paragraphs and except pursuant to "*—Early Redemption for Taxation Reasons*", the Notes will not be redeemable at the Issuer's option prior to May 15, 2019.

At any time on or after May 15, 2019, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date, if redeemed during the twelve-month period beginning on May 15 of the years indicated below, subject to the rights of Holders of Notes to receive interest on the relevant interest payment date:

2019	%
2020	%
2021 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Early Redemption for Taxation Reasons

If (i) the Issuer becomes obligated to pay Additional Amounts as set forth under "*—Payment of Additional Amounts*" above, (ii) such obligation cannot be avoided by the taking of reasonable measures available to the Issuer and (iii) the requirement arises as a result of:

(a) any change in or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the Relevant Tax Jurisdiction which change or amendment has not been publicly announced as formally proposed before, and which becomes effective on or after, the Issue Date or, if a Relevant Tax Jurisdiction has changed since the Issue Date, the date on which such Relevant Tax Jurisdiction became an applicable Relevant Tax Jurisdiction pursuant to the Conditions of Issue (the "**Relevant Tax Jurisdiction Date**"); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before, and becomes effective on or after, the Relevant Tax Jurisdiction Date,

the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not less than 10 days' nor more than 60 days' prior notice of redemption at 100% of the outstanding principal amount thereof together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a "**Tax Redemption Date**") and Additional Amounts, if any, then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders to receive interest due on the relevant interest payment date and Additional Amounts, if any, in respect thereof).

Prior to giving any notice of redemption pursuant to this provision, the Issuer shall deliver to the Holders' Representative for delivery to the Holders in accordance with "*—Notices*" (i) an Officers' Request Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an Opinion of Counsel qualified under the laws of the Relevant Tax Jurisdiction to the effect that there has been such change or amendment which would entitle the Issuer to redeem the Notes hereunder. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

No notice of redemption pursuant to this provision may be given (i) earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Procedures of Redemption

Any notice of redemption shall be given in accordance with the procedures set forth in "*—Notices*". It shall be irrevocable, must specify the amount of redemption, the terms and date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem the Notes.

In the case of a partial redemption of the Notes, the Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System. Such partial redemption shall be reflected in the records of Clearstream Banking as either a pool factor or a reduction in aggregate principal amount.

The Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchase, negotiated transactions or otherwise, in accordance with applicable laws, as long as such transaction does not otherwise violate the Conditions of Issue.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders upon a Change of Control

If a Change of Control occurs, each Holder shall have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable purchase date (the "**Change of Control Purchase Price**"), subject to the rights of Holders of Notes to receive interest on the relevant interest payment date.

No later than 30 days following any Change of Control, the Issuer shall give notice in accordance with the procedures set forth in "*—Notices*" below, with a copy to the Holders' Representative, stating:

(a) that a Change of Control has occurred or may occur and that each Holder has the right to require the Issuer to purchase such Holder's Notes at the Change of Control Purchase Price (the "**Change of Control Payment**");

(b) the repurchase date (the repurchase date so stated the "**Change of Control Payment Date**"), which date shall be no earlier than 30 days nor later than 60 days from the date such notice is given;

(c) the procedures determined by the Issuer, consistent with the Conditions of Issue, that a Holder must follow in order to have its Notes repurchased;

(d) that, if such notice is given prior to the occurrence of a Change of Control, the Change of Control Offer is conditional on the occurrence of such Change of Control;

(e) the circumstances and relevant facts regarding such Change of Control;

(f) that any Note accepted for Change of Control Payment will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Purchase Price is not paid; and

(g) that any Note (or part thereof) not tendered will continue to accrue interest (the offer so being made the "**Change of Control Offer**").

The Issuer shall not be required to make the Change of Control Offer upon a Change of Control if (i) a third party makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in the Conditions of Issue applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption has been given pursuant to the Conditions of Issue as described above under "*—Optional Redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer shall publicly announce the results of the Change of Control Offer or any offer made in lieu thereof in accordance with the procedures set forth in "*—Notices*" on or as soon as practicable after the Change of Control Payment Date.

Except as otherwise set forth under this heading "*—Repurchase at the Option of Holders upon a Change of Control*", the Conditions of Issue do not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction that may adversely affect the Holders if such transaction does not constitute a Change of Control. The Change of Control provisions described under this heading "*—Repurchase at the Option of Holders upon a Change of Control*" may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions.

The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Conditions of Issue, 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 Conditions of Issue by virtue of the conflict.

The definition of "Change of Control" includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. There is no precise established definition of the phrase under applicable German law. Accordingly, the ability of a Holder to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

If a Change of Control Offer is made, there can be no assurance that the Issuer will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer, see "*Risk Factors—Risks Related to the Notes—We may not be able to repay the Notes when due or to repurchase the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Conditions of Issue may not necessarily afford you protection in the event of certain important corporate events*".

Covenants

Limitation on Indebtedness

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided*, however, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if (i) on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof) (x) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.00 to 1.00, and (y) to the extent such Indebtedness is purported to be secured by a Lien, the Consolidated Secured Debt Ratio of the Issuer and its Restricted Subsidiaries would be no greater than 3.75 to 1.00 and (ii) no Event of Default shall have occurred and be continuing or would occur as a consequence of Incurring the Indebtedness.

The foregoing paragraph shall not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness of the Issuer or any Guarantor Incurred pursuant to and in compliance with a Credit Facility (including under ancillary facilities made available under such Credit Facility) in an aggregate principal amount not to exceed €125 million;

(ii) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, however, that

   (A) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and to the extent legally permitted (the Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Note Guarantee, in the case of a Guarantor; and

(B) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary; and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (ii);

(iii) any Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred pursuant to the first paragraph of this covenant "*—Limitation on Indebtedness*" or clause (iv), (v), or (x) or this clause (iii);

(iv) Indebtedness outstanding on the Issue Date after giving effect to the use of proceeds of the Notes (other than any Indebtedness Incurred under any Credit Facility permitted under clause (i) above or any Indebtedness incurred pursuant to clause (ii), (vi) or (vii));

(v) Indebtedness Incurred by the Issuer and the Guarantors represented by the Notes to be issued on the Issue Date and the Note Guarantees in respect of these Notes;

(vi) Indebtedness under Hedging Obligations of the Issuer or any of its Restricted Subsidiaries that is Incurred in the ordinary course of business and not for speculative purposes;

(vii) Indebtedness Incurred under a Guarantee by any Guarantor of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant "*—Limitation on Indebtedness*"; *provided*, however, that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(viii) Indebtedness Incurred after the Issue Date in respect of workers' compensation claims, early retirement obligations, or social security or wage taxes in the ordinary course of business;

(ix) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capitalized Lease Obligations, Purchase Money Obligations or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under GAAP) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary in an aggregate principal amount pursuant to this clause (ix), including any Refinancing Indebtedness that refinances such Indebtedness, not to exceed the greater of €60 million and 7.25% of Total Assets at any time outstanding; *provided* that the principal amount of any Indebtedness permitted under this clause (ix) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(x) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by, or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities), the Issuer or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate any of the aforementioned transactions or series of related transactions or (b) otherwise in connection with, or in contemplation of, such transaction or series of related transactions); *provided*, however, that at the time such Restricted Subsidiary is acquired (or other transaction is made) by the Issuer or another Restricted Subsidiary, (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (i)(x) of the first paragraph of this covenant "*—Limitation on Indebtedness*" or (B) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to such acquisition or other transaction, in each case after giving *pro forma* effect to the Incurrence of such Indebtedness pursuant to this clause (x);

(xi) Indebtedness of the Issuer or its Restricted Subsidiaries in respect of (a) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, (b) the financing of insurance premiums in the ordinary course of business, (c) 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, (d) inventory financing or any guarantees thereof and (e) any customary cash management, cash pooling or netting or setting-off arrangements (including, for the avoidance of doubt, any Cash Management Liabilities) entered into in the ordinary course of business (as determined in good faith by the Issuer's Board of Directors); *provided*, however, that, in relation to the foregoing sub-clauses (a) through (d), upon the drawing (*Inanspruchnahme*) of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing (*Inanspruchnahme*);

(xii) Indebtedness Incurred in any Qualified Securitization Financing;

(xiii) Indebtedness in respect of Guarantees of the Indebtedness of joint ventures in which the Issuer or any Restricted Subsidiary has an equity interest, not to exceed €20 million outstanding at any one time; and

(xiv) in addition to the items referred to in clauses (i) through (xiii) above, Indebtedness of the Issuer and any Restricted Subsidiary in an aggregate amount not exceeding €40 million outstanding at any one time; *provided* that the aggregate amount of such Indebtedness that may be incurred pursuant to this clause (xiv) by Restricted Subsidiaries that are not Guarantors shall not exceed €10 million outstanding at any one time.

For purposes of determining compliance with this "*—Limitation on Indebtedness*" covenant:

(i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the foregoing first paragraph of this covenant "*—Limitation on Indebtedness*" and clauses (i) through (xiv) of the second paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify and may from time to time reclassify such item of Indebtedness in any manner that complies with this covenant and include the amount and type of such Indebtedness in one or more of the foregoing clauses (i) through (xiv) of the second paragraph of this covenant or pursuant to the first paragraph of this covenant; *provided* that all Indebtedness outstanding on the Issue Date under any Credit Facility shall be deemed incurred under clause (i) of the second paragraph of this covenant and not under the first paragraph of this covenant or clause (iv) of the second paragraph of this covenant and may not later be reclassified;

(ii) in the event Indebtedness relates to Guarantees of Indebtedness permitted by this covenant, such Guarantees shall not be treated as an additional Incurrence of Indebtedness;

(iii) the principal amount of any Disqualified Stock of the Issuer or a Guarantor, or preferred stock of a Restricted Subsidiary that is not a Guarantor, 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;

(iv) the amount of any Indebtedness outstanding as of any date will be:

(A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(C) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(x) the Fair Market Value of such assets at the date of determination; and

(y) the amount of the Indebtedness of the other Person;

(v) 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 will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving Credit Facility; *provided that*:

(A) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and

(B) if for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement; and

(vi) the principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being refinanced will be the Euro Equivalent of the Indebtedness refinanced determined as of the date such Indebtedness was originally Incurred, except that to the extent that:

(A) such Euro Equivalent was determined based on an agreement intended to protect against fluctuations in currency exchange rates, in which case the Refinancing Indebtedness will be determined in accordance with sub- clause (B) of clause (v) above; and

(B) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Euro Equivalent of such excess will be determined on the date such Refinancing Indebtedness is being Incurred.

Limitation on Restricted Payments

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make a Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment);

(ii) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to clause (i)(x) of the first paragraph described under "—*Covenants—Limitation on Indebtedness*", after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (other than pursuant to (ii), (iv), (v), (vi), (vii), (viii), (ix), (x) (xiv), (xv) and (xvi)) described under the second paragraph of this "—*Limitation on Restricted Payments*" covenant made subsequent to the Issue Date, would exceed the sum of:

(A) 50% of Consolidated Net Income for the period (treated as one accounting period) from April 1, 2016 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer) excluding in any event Net Cash Proceeds received by the Issuer from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem Notes in compliance with the provisions set forth under "—*Optional Redemption*"; plus

(C) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid (whether through repurchases, redemptions, repayments of principal, interest payments, dividends, distributions, returns of capital or other transfer of assets), 100% of the aggregate amount received in cash and the Fair Market Value of the property, assets or marketable securities received by the Issuer or any Restricted Subsidiary, (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary, or (c) in the case of a Guarantee made by the Issuer or any Restricted Subsidiary, that is fully and unconditionally released, an amount equal to the amount of such Guarantee to the extent such Guarantee reduced the capacity to make Restricted Payment pursuant to this clause (iii); plus

(D) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is re-designated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property and assets received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such re-designation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (iii) and were not previously repaid or otherwise reduced; plus

(E) 100% of any cash dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period; plus

(F) 100% of the Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than issuance or sale to the Issuer or any Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Debt pursuant to provisions of such Indebtedness which existed at the time of its issuance (plus the amount of any cash, and the Fair Market Value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary less the amount of any cash, and the Fair Market Value of property or assets or marketable securities, distributed by the Issuer or any Restricted Subsidiary, in each case upon such conversion or exchange).

The provisions of the preceding paragraph shall not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of the preceding paragraph and such payment shall have been deemed to have been paid on such date of declaration;

(ii) the purchase or other acquisition of Capital Stock made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale is financed with loans or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), Subordinated Shareholder Debt or a substantially concurrent contribution to the equity of the Issuer (other than by a Subsidiary of the Issuer);

(iii) the purchase, redemption or other acquisition for value of Capital Stock in connection with the obligations under employee or management stock option agreements or other agreements to compensate management or employees; provided that such redemptions or repurchases pursuant to this clause will not exceed €1 million in the aggregate during any calendar year with any unused amounts in any calendar year being carried over to the immediately following calendar year but not any subsequent calendar years;

(iv) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Indebtedness for, or out of the Net Cash Proceeds of, the substantially concurrent sale of Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale is financed with loans or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or for, or out of the Net Cash Proceeds of, a substantially concurrent Incurrence (other than to a Subsidiary) of Refinancing Indebtedness or Subordinated Shareholder Debt;

(v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;

(vi) the making of any Restricted Payment in exchange for, or out of or with the Net Cash Proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (iii)(B) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "*—Optional Redemption*" provisions of the Conditions of Issue;

(vii) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the "Incurrence of Indebtedness" covenant;

(viii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(ix) payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Restricted Subsidiaries and other Persons with which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; provided, however, that such payments will not exceed the lesser of (A) the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand-alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (B) the related tax liabilities of the Issuer and its Restricted Subsidiaries that are relieved thereby;

(x) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(xi) so long as no Default has occurred and is continuing (or would result therefrom), following the first Equity Offering that results in a Public Market, the declaration and payment of dividends or distributions on the common stock of the Issuer on a *pro rata* basis in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received from such Equity Offering or subsequent Equity Offering by the Issuer or contributed to the equity (other than through the issuance of Disqualified Stock or preferred stock) of the Issuer or contributed as Subordinated Shareholder Debt to the Issuer and (b) an amount equal to the greater (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; provided that, with respect to sub-clause (b), after giving *pro forma* effect to the payment of any such dividend or making of any such distribution, the Consolidated Net Leverage Ratio does not exceed 3.00 to 1.00;

(xii) so long as no Default has occurred and is continuing (or would result therefrom), any Restricted Payment to the Parent, *provided* that after giving effect to such Restricted Payment the Consolidated Net Leverage Ratio does not exceed 2.50 to 1.00;

(xiii) so long as no Default has occurred and is continuing (or would result therefrom), other Restricted Payments in an amount not to exceed €30 million from the Issue Date;

(xiv) dividends, loans, advances or distributions to any Holding Company or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(A) the amounts required for any Holding Company to pay any Holding Company Expenses or any Related Taxes; or

(B) amounts constituting or to be used for purposes of making payments (x) of fees and expenses incurred, or payments made, in connection with the Refinancing as disclosed in this offering memorandum or (y) to the extent specified in clauses (i) and (v) of the second paragraph under "*—Covenants—Limitation on Affiliate Transactions*";

(xv) any Restricted Payments by the Issuer to the Parent in an amount not to exceed €20 million; and

(xvi) the making of a Restricted Payment by the Issuer to the Parent in form of a non-cash settlement of the existing Parent Up-stream Loan.

Limitation on Liens

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, assume, or permit to subsist any Lien or other security interest upon any of its or any of its Restricted Subsidiaries' present or future property or assets, or assign or otherwise convey any right to receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof) (such Lien, the "**Initial Lien**") except (a) in the case of any property or asset that does not constitute Collateral, (i) Permitted Liens and (ii) Liens that are not Permitted Liens if, contemporaneously with the incurrence of such Initial Lien, the Notes and the obligations under the Conditions of Issue (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or in the case of Liens with respect to Subordinated Indebtedness, with priority to, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (b) in the case of any property or asset constituting Collateral, Permitted Collateral Liens.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer shall not, and shall 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 on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, transfer or lease any of its property or assets to the Issuer or any Restricted Subsidiary.

The foregoing paragraph shall not prohibit:

(i) any encumbrance or restriction pursuant to the Notes, the Conditions of Issue, the Senior Revolving Credit Facility, the Security Documents or the Intercreditor Agreement or any other agreement in effect or entered into on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Capital Stock or Indebtedness Incurred by such Subsidiary on or prior to the date on which such Subsidiary was acquired by the Issuer (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of the Issuer or was acquired by the Issuer or in contemplation of the transaction) and outstanding on such date;

(iii) any agreement or instrument (a "**Refinancing Agreement**") effecting Refinancing Indebtedness or Disqualified Stock incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument or obligation in effect or entered into on the Issue Date (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an Initial Agreement (an "**Amendment**"); *provided,* however, that the encumbrances and restrictions contained in any such Refinancing Agreement or Amendment are not materially less favorable to the holders of the Notes taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such Refinancing Agreement or Amendment relates (as determined in good faith by the Board of Directors or an Officer of the Issuer) and either (x) the Issuer determines that such encumbrances and restrictions will not adversely affect the Issuer's ability to make principal and interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness;

(iv) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(v) in the case of clause (c) of the first paragraph of this "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" covenant, any encumbrance or restriction:

(A) that restricts in a customary manner the assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment of transfer of any such lease, license or other contract entered into in the ordinary course of business;

(B) contained in mortgages, pledges or other security agreements permitted under and in compliance with the Conditions of Issue to the extent such encumbrances or restrictions restrict the transfer of the property subject so such mortgages, pledges or other security agreements; or

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(vi) encumbrances or restrictions arising or existing by reason of applicable law (including, but not limited to, any capital maintenance or similar corporate law restrictions applicable to such Restricted Subsidiary the breach of which would, as determined in good faith by the Board of Directors of the Issuer or relevant Restricted Subsidiary, result in any civil or criminal liability of any directors or officers of the relevant Restricted Subsidiary) or any applicable rule, regulation or order or governmental license, permit or concession;

(vii) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts (not evidencing or relating to Indebtedness) entered into in the ordinary course of business;

(viii) Liens or other security interests permitted to be created, to be assumed or to subsist under the provisions of the "*—Limitation on Liens*" covenant that limit the right of the debtor to dispose of the assets subject to such Lien or other security interest;

(ix) encumbrances or restrictions contained in any agreement relating to, or pertaining to, Hedging Obligations;

(x) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), entered into with the approval of the Issuer's Board of Directors which limitation is applicable only to the assets or property that are the subject of such agreements;

(xi) encumbrance or restriction effected in connection with a Qualified Securitization Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary to effect such Qualified Securitization Financing;

(xii) encumbrances or restrictions on the assets of or ownership interests in a joint venture, in each case contained in the terms of the agreement or agreements governing such joint venture; *provided*, however, that any such encumbrance or restriction (i) is customary in joint venture agreements, (ii) is not less favorable to the Issuer or any Restricted Subsidiary than to any other joint venturer and (iii) will not materially affect the Issuer's ability to make principal or interest payments on the Notes, as determined in good faith by the Board of Directors of the Issuer, at the time of entering into such agreement or agreements (and at the time of any modification of the terms of any such encumbrance or restriction); and

(xiii) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness Incurred by the Issuer or any Restricted Subsidiary permitted to be Incurred subsequent to the Issue Date pursuant to the "*—Limitation on Indebtedness*" covenant if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Senior Revolving Credit Facility, the Intercreditor Agreement and the Security Documents, 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 of the Issuer) and where, in the case of this clause (ii), either (x) the Issuer determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they come due or (y) the Issuer determines that such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness.

Limitation on Sales of Assets

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(i) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(ii) in any such Asset Disposition, at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this "*—Limitation on Sales of Assets*" covenant, each of the following shall be deemed cash:

(A) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities, Disqualified Stock and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

(B) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Disposition;

(D) consideration consisting of Pari Passu Indebtedness of the Issuer or any Restricted Subsidiary received from Persons who are not the Issuer or any Restricted Subsidiary; and

(E) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received and designated pursuant to this clause (E) that is at any one time outstanding, not to exceed €15 million (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be:

(A) to the extent the Issuer elects, to prepay, repay or purchase (x) Indebtedness that is secured by a Permitted Collateral Lien that ranks equal to or in priority to any Lien on such assets securing the Notes or the Note Guarantees and is *pari passu* in right of payment with the Notes or the Note Guarantees (including, for the avoidance of doubt, under the Senior Revolving Credit Facility and any purchase or redemption of any Notes (*provided* that any such purchase or redemption is at or above 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such purchase or redemption)), (y) Indebtedness which is secured by a Lien (other than a Permitted Collateral Lien) on the asset which is the subject of the Asset Sale or (z) Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer), in each case, within 395 days from the date of the receipt of such Net Available Cash; *provided*, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this sub-clause (A), the Issuer or such Restricted Subsidiary will cause the related commitment (if any) to be permanently reduced in an equal amount to the principal amount so prepaid, repaid or purchased;

(B) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clause (A), to the extent the Issuer elects, to invest in Additional Assets within 395 days from the date of receipt of such Net Available Cash or pursuant to binding arrangements in place within such 395 day period; *provided* that such binding arrangement is completed within 180 days of such 395 day period;

(C) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clauses (A) and (B), to make a capital expenditure; or

(D) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clauses (A) to (C) (the "**Excess Proceeds**"), to make an offer to the Holders and any other Pari Passu Indebtedness (to the extent the terms of such Pari Passu Indebtedness so require) on a *pro rata* basis to purchase the Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase and such Pari Passu Indebtedness pursuant to and subject to the Conditions of Issue (an "**Asset Disposition Offer**"); *provided*, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to the foregoing sub-clause (A), the Issuer or the relevant Restricted Subsidiary shall retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchase.

Notwithstanding the foregoing provisions of this "*—Limitation on Sales of Assets*" covenant, the Issuer or the relevant Restricted Subsidiary shall not be required to apply any Excess Proceeds in accordance with sub-clause (D) above unless the aggregate Excess Proceeds from all Asset Dispositions which is not applied in accordance with the foregoing sub-clauses (A) to (C) exceeds €15 million. To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Conditions of Issue. If the aggregate principal amount of Notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall accept the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness in accordance with the terms of the Asset Disposition Offer. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn, in each case with a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase. In addition, the Issuer will take any and all other actions required by the agreements governing the Pari Passu Indebtedness. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

Limitation on Affiliate Transactions

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including the rendering of services) with any Affiliate of the Issuer (any such transaction or series of related transactions, an "**Affiliate Transaction**") involving aggregate consideration in excess of €2 million unless:

(i) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves aggregate consideration in excess of €5 million, the terms of such transaction have been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer (and such majority determines that such Affiliate Transaction satisfies the criteria in clause (i)); and

(iii) in the event (a) such Affiliate Transaction involves aggregate consideration in excess of €20 million or (b) such Affiliate Transaction involves aggregate consideration in excess of €5 million and there are no Disinterested Directors, the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm of internationally recognized standing or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that such Affiliate Transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the foregoing paragraph shall not apply to:

(i) transactions pursuant to any employee or director compensation arrangements or benefit plans entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business of the Issuer or such Restricted Subsidiary;

(ii) any transaction effected as part of a Qualified Securitization Financing;

(iii) any Affiliate Transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries;

(iv) any Restricted Payment (other than a Restricted Investment) permitted to be made pursuant to the provisions set forth under "*—Covenants—Limitation on Restricted Payments*" above;

(v) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, officers, directors or employees of the Issuer or any Restricted Subsidiary of the Issuer;

(vi) the incurrence of Subordinated Shareholder Debt;

(vii) the advance of any Parent Loans by the Parent to the Issuer;

(viii) transactions pursuant to, or contemplated, by any agreement in effect on the Issue Date and transactions pursuant to any amendment (including to change any party to the agreement), modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the Holders than the original agreement as in effect on the Issue Date;

(ix) any issuance of Capital Stock (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(x) transactions with the Parent and its Subsidiaries in the ordinary course of business, consistent with past practice and as otherwise permitted hereunder;

(xi) (x) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of trading, or (y) any transaction in the ordinary course of business between the Issuer or any of its Restricted Subsidiaries and any Person that is an Affiliate of the Issuer solely because a director of such Person is also a director of the Issuer or any direct or indirect parent of the Issuer, in each case, *provided* (a) such transaction is otherwise in compliance with the terms of the Conditions of Issue and (b) is on terms at least as favorable as could have been obtained at such time from an unaffiliated Person, in the reasonable determination of the members of the Board of Directors or an Officer of the Issuer *provided* such Officer has been delegated such power by the Board of Directors in the prior twelve months (provided no member of the Board of Directors or Officer of the Issuer with an interest in such transaction may participate in such determination); and

(xii) any payments or other transactions pursuant to a tax sharing agreement between or among the Parent, the Issuer and any Restricted Subsidiary and any other Person with which the Parent, the Issuer or any of its Restricted Subsidiaries files a consolidated tax return or with which the Parent, the Issuer or any of its Restricted Subsidiaries is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, however, that such payments or transactions will not exceed the lesser of (i) the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand-alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (ii) the related tax liabilities of the Issuer and its Restricted Subsidiaries that are relieved thereby.

Reports

So long as any Notes are outstanding, the Issuer will furnish in English to the Holders in accordance with clause (ii) of "—*Notices*":

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2016, annual reports containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, 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 Issuer will provide, in the case of a material acquisition, acquired company financials to the extent available without unreasonable expense)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment to the extent segment reporting is required under GAAP), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies with a level of detail that is substantially comparable to this offering memorandum; (d) a description of the business, management and shareholders of the Issuer, material affiliate transactions and material debt instruments (unless such contractual arrangements were described in a previous annual or quarterly report, in which case the Issuer need describe only any material changes); and (e) material risk factors and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2016, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and, the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent

available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials (to the extent available without unreasonable expense)); (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment to the extent segment reporting is required under GAAP), including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any changes of the chief executive officer, chief financial officer or managing director of the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event;

provided, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or IFRS or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Issuer.

In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All financial statements shall be prepared in accordance with GAAP. Except as provided for above, no report need to include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

In addition, for so long as any Notes remain outstanding, the Issuer has agreed that it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report set forth in clauses (1), (2) and (3) above, the Issuer will also (a) file a press release with an appropriate internationally recognized wire service in connection with such report and (b) post such report on the Issuer's website. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Listing Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

Merger and Consolidation

The Issuer

The Issuer shall not, directly or indirectly, consolidate with or merge with or into another Person, or convey, transfer or lease all or substantially all the properties and assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any member state of the European Union as of December 31, 2003, Switzerland, the United States of America or the District of Columbia, and the Successor Company (if not the Issuer) will expressly assume in appropriate documentation delivered to the Holders' Representative all the obligations of the Issuer under the Notes, the Security Documents, the Intercreditor Agreement, the Agency Agreement and the Conditions of Issue;

(ii) 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;

(iii) immediately after giving effect to such transaction and any related financings the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (i)(x) of the first paragraph of the "—*Limitation on Indebtedness*" covenant above;

(iv) each Guarantor shall have delivered to the Holders' Representative a confirmation that its Note Guarantee shall apply to such Person's obligations in respect of the Notes and the Agency Agreement;

(v) if any such transaction results in the Issuer or Successor Company being incorporated in a jurisdiction other than Germany, the Board of Directors of the Issuer and the Successor Company will have adopted a resolution stating that the transaction effecting such a change in jurisdiction was not being entered into for a purpose which included subjecting the Issuer or the Successor Company, as the case may be, to more favorable bankruptcy, insolvency, laws relating to creditors rights or similar laws; and

(vi) the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the Successor Company comply with this covenant and the Opinion of Counsel shall state in addition that each of the Note Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and the Agency Agreement immediately prior to such transaction. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of compliance with this paragraph and shall not be obligated to independently investigate whether the requirements of this paragraph are otherwise met.

Guarantors

In addition, the Issuer shall not permit any Guarantor, directly or indirectly, to consolidate with or merge with or into another Person, or convey, transfer or lease all or substantially all the properties and assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) either:

(A) the resulting, surviving or transferee Person will be a Person organized and existing under the laws of any member state of the European Union on 31 December 2003, Switzerland, the United States of America, the District of Columbia or the jurisdiction in which it was originally organized, and such Person (if not a Guarantor) will expressly assume in an appropriate documentation and delivered to the Holders' Representative, all the obligations of such Guarantor under its Note Guarantee; or

(B) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the conveyance, transfer or lease of all or substantially all the properties and assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Conditions of Issue;

(ii) immediately after giving effect to, and as a result of, such transaction no Default or Event of Default shall have occurred and be continuing;

(iii) in the case of clause (i)(A) above, if any such transaction results in the Guarantor or Successor Company being incorporated in a jurisdiction other than the jurisdiction in which it was organized as of the Issue Date, the Board of Directors of the Guarantor and the Successor Company will have adopted a resolution stating that the transaction effecting such a change in jurisdiction was not being entered into for a purpose which included subjecting the Guarantor or the Successor Company, as the case may be, to more favorable bankruptcy, insolvency, laws relating to creditors rights or similar laws; and

(iv) the Issuer and such Guarantor shall deliver to the Holders' Representative in accordance with "*Notices*" an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and, in the case of clause (i)(A) only, such assumption by the resulting, surviving or transferee Person comply with this covenant and the Opinion of Counsel shall state in addition that the Note Guarantee by the resulting, surviving or transferee Person shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and the Agency

Agreement immediately prior to such transaction. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of compliance with this paragraph and shall not be obligated to independently investigate whether the requirements of this paragraph are otherwise met.

The successor to any Guarantor will succeed to, and be substituted for, such Guarantor under the applicable Note Guarantee.

This "*—Merger and Consolidation*" covenant will not apply to (a) any consolidation, merger or transfer of assets of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor, (b) any consolidation, merger or transfer of assets among Guarantors, or (c) any consolidation, merger or transfer of assets among the Issuer and any Guarantor; *provided* that, clauses (i) and (vi) of the first paragraph of this covenant will be complied with. Clauses (ii) and (iii) of the first paragraph and clause (ii) of the second paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events described in this "*—Merger and Consolidation*" covenant in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post it on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Future Guarantors

The Issuer shall cause each Restricted Subsidiary that is not a Guarantor and that, (a) after the Issue Date, Guarantees any Indebtedness of the Issuer or any Guarantor or (b) is a Significant Subsidiary, to execute and deliver concurrently to the Holders' Representative a Note Guarantee pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

Any such Restricted Subsidiary will, simultaneously with the execution of such Note Guarantee, pledge its existing and future assets to the extent such assets secure the obligations under the Senior Revolving Credit Facility (in particular, subject to the Agreed Security Principles as set forth in the Intercreditor Agreement) to secure the Notes and its Note Guarantee, and the Issuer will cause all of the Capital Stock in such Restricted Subsidiary owned by the Issuer and its Restricted Subsidiaries to be pledged to secure the Notes and the Note Guarantees.

Each Additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate general statutory limitations, capital maintenance, corporate benefit, fraudulent preference, financial assistance or thin-capitalisation rules or other similar laws or regulations (or analogous restrictions) of any applicable jurisdiction). See "*Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*".

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Note Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary (including "whitewash" or similar procedures) or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Limitation on Lines of Business

The Issuer shall not, and shall not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Limitation on Parent Activities

With effect from and following the Issue Date, the Parent has undertaken, under a parent undertaking among the Parent and the Holders' Representative entered into for the benefit of the Holders and entered into on or about the Issue Date (the "**Parent Undertaking**"), to comply with the covenant contained in this section "*Limitation on Parent Activities*".

(i) The Parent will not carry on any business or own any assets other than:

(A) the ownership of Capital Stock of the Issuer or any other Subsidiary or any other legal entity primarily engaged in a Related Business, including any Subsidiaries or legal entities newly established or acquired by the Parent;

(B) the conduct of its business as a holding company, including entering into any employment contracts for its employees required for such conduct of its business as a holding company and, for the avoidance of doubt, activities related to its capacity as a holding company for Subsidiaries other than the Issuer;

(C) issuing shares, and paying dividends and making other distributions on such shares;

(D) the provision of administrative services (excluding treasury services) and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;

(E) the payment of professional fees and administration costs in the ordinary course of business as a holding company;

(F) the payment of wages and the incurrence of obligations and liabilities arising by operation of law or that are typical of or incidental to the activities of a holding company;

(G) any activities incidental or related to the offering, sale, issuance and servicing, purchase, acquisition, redemption, refinancing or retirement, as the case may be, of the Notes or the Senior Revolving Credit Facility;

(H) rights and obligations arising under the Conditions of Issue, the Notes, the Intercreditor Agreement, an Additional Intercreditor Agreement, the Security Documents or the Senior Revolving Credit Facility;

(I) the ownership of cash and Cash Equivalents;

(J) making of Investments in the Notes;

(K) contributing capital to its Subsidiaries;

(L) extending (i) Parent Loans to the Company or (ii) loans to its Subsidiaries or other legal entities primarily engaged in a Related Business in which it owns, directly or indirectly, any Capital Stock (other than the Issuer or any of its Restricted Subsidiaries);

(M) related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries' corporate existence;

(N) the Incurrence of Indebtedness (for the avoidance of doubt, including in the form of Guarantees) for the purpose of financing the acquisition or business activities of a Related Business which is being (or following such acquisition will be) conducted by (x) any joint venture or other legal entity primarily engaged in a Related Business in which the Parent or a Subsidiary of the Parent (other than the Issuer or any of its Restricted Subsidiaries) has a direct or indirect equity interest or (y) any Subsidiary of the Parent (other than the Issuer or any of its Restricted Subsidiaries);

(O) any activities necessary or advisable (as determined in good faith by the Parent) in connection with identifying, investigating, executing and/or monitoring actual or prospective investments into entities of the type described under (A) above; or

(P) any other activities (including the provision of external consulting services) not specifically enumerated above that (i) are ancillary to or related to those listed above or (ii) are *de minimis* in nature;

provided, for the avoidance of doubt, that nothing in the Parent Undertaking shall impose any limitation on any activity of a Subsidiary of the Parent or any other legal entity in which the Parent holds an interest from time to time.

(ii) The Parent will not, directly or indirectly, create, Incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of its property or assets, now owned or hereinafter acquired, that form part of the Collateral for the Notes or are otherwise held by the Issuer or any Restricted Subsidiary, except any Permitted Collateral Lien.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF market of that exchange for so long as any Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to such listing or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain (where the Notes are initially so listed, prior to the delisting of the Notes from the Euro MTF market), and thereafter use commercially reasonable efforts to maintain, a listing of the Notes on another "recognized stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Payments for Consent

The Issuer shall not, and shall not cause or permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of the Conditions of Issue, the Notes, the Agency Agreement, the Security Documents, the Intercreditor Agreement or any Note Guarantee unless (and to the extent such offer or payment is not prohibited by applicable law) such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Conditions of Issue, to exclude the Holders in any jurisdiction where (A)(i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the U.S. federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Restricted and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries shall be Restricted Subsidiaries.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(ii) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(iii) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

(A) subscribe for additional Capital Stock of such Person; or

(B) maintain or preserve such Person's financial condition or cause such person to achieve any specified levels of operating results;

(iv) all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment's Fair Market Value at the time of such transfer and a Restricted Payment in such amount would be permitted at such time under the covenant set forth under "*—Limitations on Restricted Payments*" or the definition of "Permitted Investments" and if such Subsidiary otherwise meets the definition of an "Unrestricted Subsidiary"; and

(v) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that such designation shall be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least €1.00 of additional Indebtedness as described in clause (i)(x) of the first paragraph under "*—Covenants—Limitation on Indebtedness*", on a pro forma basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Holders' Representative by filing with the Holders' Representative a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Request Certificate certifying that such designation complies with the foregoing conditions. The Holders' Representative shall forward such resolution of the Board of Directors of the Issuer and the Officers' Request Certificate to the Holders in accordance with the procedures set forth in "*—Notices*".

Impairment of Security Interest

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of "Permitted Collateral Liens" shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Holders' Representative and the Holders, and the Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that

(i) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Conditions of Issue, the Intercreditor Agreement and the Security Documents; and

(ii) the Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided* further, however, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Issuer delivers to the Security Agent either:

(A) a solvency opinion from an accounting, appraisal or investment banking firm of national standing confirming the solvency of the Issuer 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;

(B) a certificate from the chief financial officer, chief executive officer or the Board of Directors of the relevant Person, which confirms the solvency of the person granting Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement; or

(C) an Opinion of Counsel (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

Notwithstanding the preceding paragraph which shall not apply to the actions described in this paragraph, at the direction of the Issuer and without the consent of any Holder or the Holders' Representative, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens to the extent permitted by the Conditions of Issue; (iii) add to the Collateral; (iv) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement; (v) evidence the succession of another Person to the Issuer and the assumption by such successor of the obligations under the Conditions of Issue, the Notes and the Security Documents, in each case, in accordance with "*—Covenants—Merger and Consolidation*"; (vi) provide for the release of property and assets constituting Collateral from the Lien of the Security Documents or the release of a Note Guarantee granted by a Guarantor, in each case, in accordance with (and if permitted by) the terms of the Conditions of Issue and the Intercreditor Agreement; (vii) conform the Security Documents to this "*Description of the Notes*"; (viii) evidence and provide for the acceptance of the appointment of a successor Holders' Representative or Security Agent; or (ix) make any other change thereto that does not adversely affect the rights of the Holders in any material respect.

In the event that the Issuer complies with this covenant, the Holders' Representative and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from Holders.

Security

The Issuer shall, and shall procure that each Guarantor shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require

(i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and

(ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Issuer shall, and shall procure that each Guarantor shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Additional Intercreditor Agreements

At the request of the Issuer, at the time of, or prior to, the Incurrence of any Indebtedness that is permitted to share the Collateral, the Issuer, the relevant Guarantors, the Holders' Representative, the Senior Revolving Credit Facility Lenders and the Security Agent shall enter into an additional intercreditor agreement (each an "**Additional Intercreditor Agreement**") on terms substantially similar to the Intercreditor Agreement or an amendment to the Intercreditor Agreement (which amendment has been confirmed by Opinion of Counsel addressed to the Holders' Representative to not adversely affect the rights of the Holders); *provided* that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Holders' Representative or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Holders' Representative under the Conditions of Issue or the Intercreditor Agreement. Save as may be required by mandatory provisions of law, the Holders' Representative or the Security Agent shall not be required to seek the consent of any Holders to perform its obligations under and in accordance with this covenant. The Issuer shall notify the Holders of the entry of an Additional Intercreditor Agreement to any amendment to the Intercreditor Agreement effected pursuant to this covenant without undue delay in accordance with procedures set forth in the Condition of Issue.

Suspension of Covenants

If on any date following the date of the Conditions of Issue:

(i) the Notes are rated with an Investment Grade Rating by both Rating Agencies; and

(ii) no Default has occurred and is continuing under the Conditions of Issue (the foregoing conditions being referred to collectively as the "**Suspension Condition**");

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this "*Description of the Notes*" (collectively, the "**Suspended Covenants**") of the Conditions of Issue will be suspended as to the Notes:

- "*—Limitation on Indebtedness*";
- "*—Limitation on Restricted Payments*";
- "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";
- "*—Limitation on Sales of Assets*";
- "*—Limitation on Affiliate Transactions*";
- "*—Limitation on Lines of Business*";
- "*—Future Guarantors*"; and
- clauses (ii) and (iii) of the first paragraph and (ii) of the second paragraph, respectively, of "*—Merger and Consolidation*".

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to "*—Covenants—Restricted and Unrestricted Subsidiaries*" unless the designation would have complied with the covenant described under "*—Covenants—Limitations on Restricted Payments*".

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Notes for any period of time as a result of the Suspension Condition having been met and, subsequently, one or both Rating Agencies withdraw their Investment Grade Rating or downgrade the Investment Grade Rating assigned to the Notes such that the Notes no longer have an Investment Grade Rating by both Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. (a) Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated "*—Covenants—Limitations on Restricted Payments*" covenant as if the provisions had been in effect since the Issue Date (accordingly, Restricted Payments made during such period when the Suspended Covenants are suspended will reduce the amount available to be made as Restricted Payments described under the first paragraph of "*—Covenants—Limitations on Restricted Payments*") and (ii) will be calculated in accordance with the terms of the reinstated "*—Covenants—Limitation on Indebtedness*" covenant as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to the first paragraph described under "*—Covenants—Limitation on Indebtedness*"; and (b) the Issuer will, and will cause each Restricted Subsidiary that would have been required to Guarantee the Notes pursuant to "*—Covenants—Future Guarantors*" during such period when the Suspended Covenants are suspended to take all actions it would have been required to take to comply with "*—Covenants—Future Guarantors*" if it had not been suspended including executing a Note Guarantee and pledging the Restricted Subsidiary's existing and future assets and pledging all of the Capital Stock in such Restricted Subsidiary to secure the Notes and the Guarantees; provided, further, that no Default, Event of Default or breach of any kind will be deemed to exist under the Conditions of Issue with respect to the Suspended Covenants based on, and none of the Issuer or any of its Subsidiaries will bear any liability for, any actions taken or events occurring after such Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

Events of Default, Enforcement

Each of the following constitutes an "**Event of Default**" under the Conditions of Issue:

(a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(b) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise;

(c) failure by the Issuer or any of the Guarantors to comply with any obligation under the covenant set forth under "*—Covenants—Merger and Consolidation*", "*—Repurchase at the Option of Holders upon a Change of Control*", or "*—Covenants—Limitation on Sales of Assets*", continued for 30 days, other than a failure to purchase Notes which shall constitute an Event of Default under the foregoing clause (b);

(d) failure by the Parent, the Issuer or any of the Guarantors to comply for 60 days after notice from the Holders' Representative (upon instruction by holders of at least 25% in aggregate principal amount of the Notes then outstanding) with its other obligations contained in the Conditions of Issue or the Parent Undertaking;

(e) 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 borrowed money by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Conditions of Issue, which default:

  (i) is caused by a failure to pay when due principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

  (ii) results in the acceleration of such Indebtedness prior to its maturity;

  and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated aggregates €10 million or more;

(f) certain events of bankruptcy, insolvency or reorganization under bankruptcy laws of (i) the Issuer, (ii) a Guarantor or (iii) a group of Restricted Subsidiaries that taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary;

(g) failure by the Issuer or any Restricted Subsidiary to pay final judgments aggregating in excess of €10 million (net of any amounts that are covered by insurance policies issued by reputable and creditworthy insurance companies), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment exceeding such threshold becomes final;

(h) any Note Guarantee of any Guarantor that constitutes a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms of such Note Guarantee or the Conditions of Issue or as provided under applicable law) or is declared null and void in a judicial proceeding or the Issuer or any such Guarantor denies or disaffirms in writing or in any pleading in any court its obligations under the Conditions of Issue or its Note Guarantee and any such Default continues for ten days; or

(i) with respect to any Collateral having a Fair Market Value in excess of €5 million, individually or in the aggregate, (i) (a) the security interest under the Conditions of Issue or the Security Documents, at any time, ceases to be in full force and effect for any reason other than in accordance with the terms of the Security Documents and other than the satisfaction in full of all obligations under the Notes or (b) any security interest created thereunder or under the Security Documents is declared invalid or unenforceable and such Default continues for 15 days after the Issuer becomes aware of the Default or (ii) the Issuer or any Guarantor asserts that any such security interest or Security Document is invalid or unenforceable prior to the time that the Collateral is to be released to the Issuer or the Guarantors.

If an Event of Default (other than an Event of Default pursuant to the foregoing clause (f)) occurs and is continuing, the Holders' Representative upon instruction of Holders of at least 25% in principal amount of all outstanding Notes by notice to the Issuer shall terminate the Notes and declare the principal amount of and all accrued interest under all outstanding Notes to be due and payable immediately. If an Event of Default with respect to the Issuer pursuant to the foregoing clause (f) occurs and is continuing, the Notes will automatically be terminated and all payments under the Notes will become due and payable immediately without any declaration or other act on the part of the Holders' Representative or any Holder. Certain enforcement actions, including acceleration, will be suspended during a consultation period under the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*".

In the event of a declaration of acceleration of the Notes because an Event of Default pursuant to foregoing clause (e) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the relevant default triggering such Event of Default pursuant to the foregoing clause (e) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders may rescind any acceleration with respect to the Notes and its consequences within three months of the acceleration by simple majority vote of the Holders if such rescission would not conflict with any judgment or decree of a court of competent jurisdiction; *provided*, however, that the aggregate of such cast votes exceeds the number of votes having required the acceleration.

Notwithstanding anything to the contrary herein, (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 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 "*—Covenants—Reports*", or otherwise to deliver any notice or certificate pursuant to any other provision of the Conditions of Issue shall be deemed to be cured upon 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 Conditions of Issue.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Conditions of Issue or the Notes unless:

(a) such Holder has previously given the Holders' Representative notice that an Event of Default is continuing;

(b) Holders of at least 25% in principal amount of the outstanding Notes have requested the Holders' Representative to pursue the remedy;

(c) the Holders' Representative has not complied with such request within 60 days following the receipt of the request; and

(d) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Holders' Representative a direction that, in the opinion of the Holders' Representative, is inconsistent with such request.

Subject to the Conditions of Issue and applicable law, the Holders of a majority in aggregate 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 Holders' Representative or of exercising any trust or power conferred on the Holders' Representative.

The Issuer shall deliver to the Holders' Representative for delivery to the Holders in accordance with procedures set forth in the Condition of Issue, within 120 days after the end of each fiscal year (and within 20 Business Days upon request at any time after the 120 days), an Officers' Request Certificate stating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Holders' Representative, after becoming aware of the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

If an Event of Default occurs and is continuing, the Holders' Representative may or, subject to the provisions of the Intercreditor Agreement with respect to any Note Guarantee and the Collateral, the Security Agent may:

(a) in its sole discretion, but shall not be required to, proceed to protect and enforce the rights of the Holders by such appropriate judicial proceedings as the Holders' Representative or the Security Agent, as applicable, shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Conditions of Issue or any Note Guarantee or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including making demand under one or more of the Note Guarantees on behalf of the Holders; and

(b) prosecute and enforce all rights of action and claims under the Conditions of Issue or any Note Guarantee without the possession of any of the Notes or the Global Notes or the production thereof in any proceeding relating thereto, and to bring any such proceeding on behalf of the Holders.

Amendments and Waivers

In accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz-SchVG)*) the Holders may, by resolution with the majority specified in the following paragraph below, (i) agree with the Issuer on amendments to the Conditions of Issue, with regard to matters permitted by the SchVG, (ii) consent to such amendments of the Intercreditor Agreement, the Guarantees, the Parent Undertaking and the Security Documents which require such consent by the Holders, (iii) alter the powers and duties of, and give instructions and consents to, the Holders' Representative to the extent the Holders' Representative has the right but not the obligation to accept such additional powers and duties and (iv) appoint, and revoke the appointment of any Holders' Representative. Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

Unless a higher majority is required under mandatory provisions of statutory law, resolutions shall be passed by a majority of the Holders of not less than 50% plus one vote of the votes cast (including, votes obtained in connection with a tender offer or exchange offer for the Notes); *provided*, however, that resolutions regarding:

(i) any reduction of the relevant premium to be paid upon repurchase of any Notes or any change in the time at which any Note is to be repurchased pursuant to the provision described under "*—Optional Redemption*" and under "*—Repurchase at the Option of Holders upon a Change of Control*";

(ii) any amendment or termination of any of the Security Documents (other than amendments provided for in the Conditions of Issue, the Intercreditor Agreement or the Security Documents);

(iii) any change of the Stated Maturity of the principal of, or any instalment of interest on, or change to an earlier redemption date of, or waiver of a default in the payment of principal of, premium, if any, or interest on, any Notes (except a rescission or acceleration of the Notes by simple majority resolution of the meeting of the Holders and a waiver of the Payment Default that resulted from such acceleration) or reduce the principal amount thereof or the rate of interest thereon, or change the coin or currency in which the principal of any such Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);

(iv) any reduction in the principal amount of outstanding Notes whose holders must consent to an amendment, supplement or waiver;

(v) the modification of any of the provisions relating to amendments requiring the consent of holders or relating to the waiver of past defaults or the waiver of covenants, except to increase the percentage of outstanding Notes required for such actions;

(vi) the release of any Guarantor from its obligations under its Note Guarantee except in accordance with the Conditions of Issue, such Note Guarantee and the Intercreditor Agreement; and

(vii) any change to the preceding amendment and waiver provisions;

shall require the consent of not less than 90% of the votes cast (including, consents obtained in connection with a tender offer or exchange offer for the Notes); *provided* further that any amendments regarding the form, custody and clearing, and transferability of the Notes, the book-entry register, payment conditions and the enforcement of rights as set forth in the Conditions of Issue require approval of 100% of the Holders.

The Conditions of Issue or the Intercreditor Agreement may be amended or supplemented without the consent of any Holder:

(i) to cure any ambiguity, to correct any error which is of formal, minor or technical nature, or to correct or supplement any provision in the Conditions of Issue, the Intercreditor Agreement or the Procedural Rules that may be defective or inconsistent with any other provision in the Conditions of Issue, the Intercreditor Agreement or the Procedural Rules; *provided* that, in each case, such provisions shall not adversely affect the interests of the Holders;

(ii) to provide for the assumption of the Issuer's or a Guarantor's obligations under the Conditions of Issue, the Intercreditor Agreement or the Procedural Rules in the case of a merger or other amalgamation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as the case may be; *provided* that such merger, amalgamation or sale of all or substantially all assets is not prohibited by the Conditions of Issue or any Guarantee;

(iii) to make any change that would provide any additional rights or benefits to the Holders;

(iv) to add additional Guarantees, or to release Guarantors from Guarantees in accordance with and if permitted by the terms of the Conditions of Issue;

(v) to further secure the Notes, or to release all or any portion of the Collateral in accordance with and if permitted by the terms of the Conditions of Issue;

(vi) to enter into an Additional Intercreditor Agreement, or to amend the Intercreditor Agreement, as contemplated under "*—Covenants—Additional Intercreditor Agreement*"; or

(vii) to provide for the issuance of additional Notes as contemplated under "*—General—Additional Notes*" and if permitted by the terms and limitations of the Conditions of Issue.

Holders shall pass resolutions by vote taken without a meeting in accordance with the Procedural Rules, unless the Holders' Representative or Holders representing in the aggregate at least 5% of the aggregate principal amount of Notes outstanding expressly request that a meeting of Holders takes place. The vote shall be chaired by a notary appointed by the Issuer or, if the Holders' Representative has convened the vote, by the Holders' Representative.

Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding aggregate principal amount of Notes.

Exercise of voting rights in a vote without meeting is subject to the Holders registration. Registration must be received at the address stated in the request for voting by no later than the third day preceding the voting period.

Attendance at a meeting and exercise of voting rights is subject to the Holders registration. Registration must be received at the address stated in the convening notice by no later than the third day preceding the meeting.

Along with the registration the person that convened the meeting or the person that solicited the vote must receive a proof of eligibility for exercising voting rights. Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the custodian in text form and by submission of a blocking instruction by the custodian stating that the respective Notes are not transferable from the day the registration has been sent (including) to the stated end of the meeting (including).

The notice for solicitation of votes shall give details as to the prerequisites which must be met for votes to qualify for being counted.

Legal Defeasance or Covenant Defeasance

The Conditions of Issue will provide that the Issuer may, as evidenced by a resolution set forth in an Officers' Request Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and the Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes that are being defeased and Note Guarantees except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust account referred to below;

(b) the Issuer's obligations to exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;

(c) the rights and obligations of the Holders' Representative and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the "*Legal Defeasance or Covenant Defeasance*" provisions of the Conditions of Issue.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Conditions of Issue ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit or cause to be deposited in a trust account for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) prior to depositing such monies or securities to the trust account, procure an Opinion of Counsel stating, subject to customary assumptions and qualifications, that the trust account will be bankruptcy remote; (y) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (z) if applicable, have delivered to the Holders' Representative an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;

(ii) in the case of Legal Defeasance, the Issuer must have delivered to the Holders' Representative an Opinion of Counsel stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the original issue date of the Notes, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer must have delivered to the Holders' Representative an Opinion of Counsel to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the

Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(v) the Issuer must have delivered to the Holders' Representative an Officers' Request Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

The Holders' Representative shall be entitled to accept any Opinion of Counsel delivered to it pursuant to this paragraph as sufficient evidence of compliance with the relevant paragraph and shall not be obligated to independently investigate whether the requirements of the relevant paragraph are otherwise met.

Additional Information

Anyone who has received this offering memorandum may, following the Issue Date, obtain a copy of the Conditions of Issue, the Notes, the Guarantee Agreement and the Intercreditor Agreement, without charge, in each case, by writing to the Paying Agent. Copies of such documents are also available at the specified office of the Listing Agent (if different from the Paying Agent) and the registered office of the Issuer.

Governing Law

The Conditions of Issue provide that the Notes, both as to form and content, as well as the rights and duties of the Holders, the Issuer, the Holders' Representative and the Paying Agent shall in all respects be determined in accordance with German law. The Intercreditor Agreement will also be governed by German law.

Place of Jurisdiction and Service of Process; Enforcement

Place of jurisdiction for all proceedings arising from matters provided for in the Conditions of Issue shall be, as far as permitted by law, Frankfurt am Main, Federal Republic of Germany. The Holders are entitled to assert their claims also before any other competent court and the Issuer submits to the jurisdiction of the courts which are competent.

Any Holder may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System and Book-Entry Register containing the information pursuant to (a) and (b) and bearing acknowledgements of the Clearing System and any other Custodian in the chain of ownership for such Holder as to the Notes held in their respective accounts and (ii) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System and Clearstream Banking.

Notices

All notices to the Holders shall be either

(i) delivered through the Paying Agent or the Notification Agent, as applicable, to Clearstream Banking for communication by Clearstream Banking to Holders;

(ii) made available on a web site, the address of which has been notified to the Holders in the manner set out in (i) on or before the date on which the relevant notice is given in accordance with this (ii); or

(iii) to the extent and in the manner permitted by applicable rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

Any notice referred to under (i) of the preceding sentence shall be deemed to have been given to all Holders on the third calendar day after the day on which the said notice was delivered to Clearstream Banking and any notice referred to under (ii) or (iii) of the preceding sentence shall be deemed to have been given to all Holders on the day on which it is made available on the web site; *provided* that if so made available after 4:00 p.m. (Frankfurt time) it shall be deemed to have been given on the immediately following calendar day. Any obligation of the Holders' Representative to give notice to the Holders pursuant to the Conditions of Issue shall be limited to providing the Notification Agent, who shall act on instruction by the Issuer, with the respective notice for further communication to the Holders. To the extent required by German law, notices will be also published through the German Federal Gazette (*Bundesanzeiger*).

Notices to be given to the Holders' Representative under or in connection with the Conditions of Issue shall be made by means of a written declaration to be delivered by (i) fax or e-mail and (ii) hand or registered mail to the address of the Holders' Representative as set forth in the Conditions of Issue.

Presentation Period; Prescription

The presentation period provided for in Section 801(1) first sentence of the German civil code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(1) any property or assets (other than Indebtedness and Capital Stock) in a Related Business including newly acquired property or assets and improvements of existing property or assets (excluding, for the avoidance of doubt, working capital or current assets);

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

provided, however, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**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. The terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement in relation to the Notes to be dated on or prior to the Issue Date and made between, among others, the Paying Agent, the Issuer and any other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"**Agreed Security Principles**" means the agreed security principles as set out in an annex to the Intercreditor Agreement, as applied reasonably and in good faith by the Issuer.

"**Applicable Premium**" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess of (i) the present value on such redemption date of (A) the redemption price of such Note at May 15, 2019 (such redemption price being set forth in the table appearing above under "*—Optional Redemption*", exclusive of any accrued and unpaid interest), plus (B) all required

remaining scheduled interest payments due on the Notes through May 15, 2019 (but excluding accrued and unpaid interest to the redemption date), in each case computed using a discount rate equal to the Bund Rate plus 50 basis points, over (ii) the principal amount of such Note on such redemption date.

The calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate and shall be conclusive in the absence of manifest error.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of any shares of Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash or Cash Equivalents;

(3) for purposes of the covenant set forth under "*—Covenants—Limitation on Sales of Assets*" only, a disposition that constitutes a Restricted Payment permitted by the covenant set forth under "*—Covenants—Limitation on Restricted Payments*" or a Permitted Investment;

(4) transactions permitted by the covenant set forth under "*—Covenants—Merger and Consolidation—The Issuer*" or transactions constituting a Change of Control;

(5) dispositions in connection with Permitted Liens, foreclosures on assets and any release of claims which have been written down or written off;

(6) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and which is disposed of in the ordinary course of business;

(7) any sale, transfer or other disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing;

(8) dispositions of inventory and goods of sale in the ordinary course of business;

(9) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(10) dispositions of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(11) the granting of Liens not prohibited by the covenant described above under "*—Covenants—Limitation on Liens*";

(12) dispositions of receivables in connection with the compromise, settlement or collection thereof or surrender or waiver of contract rights or settlement, release of contract, tort or other claim, in each case, in the ordinary course of business;

(13) dispositions required by law or any governmental authority or agency;

(14) any exchange of assets for assets related to a Related Business of comparable or greater market value, as determined in good faith by the principal financial officer and the principal executive officer of the Issuer;

(15) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the covenant described under "*—Covenants—Limitation on Sale of Assets*";

(16) taking by eminent domain, condemnation or any similar action with respect to any property or other assets;

(17) dispositions of assets build, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and similar financings permitted under the Conditions of Issue;

(18) any enforcement action taken in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(19) dispositions of assets the Fair Market Value of which does not exceed €5 million in any transaction or series of related transactions.

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (ii) the sum of all such payments.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the management board (or other body or individual (including a managing director) performing functions similar to any of those performed by a management board or any committee thereof duly authorized to act on behalf of such board (or other body)).

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bund* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to May 15, 2019; *provided*, however that if the period from the redemption date to May 15, 2019 is not equal to the constant maturity of the direct obligations 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 May 15, 2019 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 any day which is a day (other than a Saturday or a Sunday) on which (i) banks are open for general business in Frankfurt, London and Luxembourg, and (ii) the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to forward payments in euro.

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person (but excluding any debt securities convertible into such equity).

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States or a member state of the European Union on December 31, 2003 (other than Greece, Ireland, Italy, Portugal or Spain) or any agency or instrumentality thereof (*provided*, however, that the full faith and credit of the United States or such member state of the European Union is pledged in support thereof); having maturities of not more than one year from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank or trust company; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of € 250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long term debt is rated "A-2 "or higher by Moody's or A or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than seven 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) of this definition;

(4) commercial paper rated at the time of acquisition thereof at least "A-2 "or the equivalent thereof by Standard & Poor's Ratings Services or "P-2 "or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) of this definition.

"**Cash Management Liabilities**" has the meaning as defined in the Intercreditor Agreement.

"**Change of Control**" means the occurrence of any of the following:

(1) prior to the first Equity Offering that results in a Public Market, the Permitted Holders cease to be the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares, whether as a result of issuance of securities of a Parent, any merger, amalgamation, consolidation, liquidation or dissolution of any Parent or the Issuer, or any direct or indirect transfer of securities by the Permitted Holders or otherwise;

(2) on and at any time after the first Equity Offering that results in a Public Market, either (a) the Permitted Holders cease to be the Beneficial Owner, directly or indirectly, of more than 30% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares or (b) any Person, other than the Permitted Holders, Beneficially Owns, directly or indirectly, a higher percentage of the total voting power of the Voting Stock of the Issuer than the Permitted Holders, in either case, whether as a result of issuance of securities of the Issuer, any merger, amalgamation, consolidation, liquidation or dissolution of the Issuer, or any direct or indirect transfer of securities by the Permitted Holders or otherwise;

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Permitted Holder;

(4) following the first Equity Offering that results in a Public Market, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the members (excluding any employee representatives, if any) on the Board of Directors of the Issuer or any Holding Company (together with any new members whose election by the majority of such members on such Board of Directors of the Issuer or any Holding Company or whose nomination for election by shareholders of the Issuer or any Holding Company, as applicable, was approved by a vote of the majority of such members on the Board of Directors of the Issuer or any Holding Company then still in office who were either members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute the majority of the members (excluding any employee representatives, if any) on the Board of Directors of the Issuer or any Holding Company, then in office; or

(5) the adoption of a plan relating to the liquidation, winding up or other disposition of all or substantially all of assets of the Issuer.

"**Commodity Agreement**" means, with respect to any Person, any commodity or raw material futures contract, commodity of raw materials option, or any other similar agreement or arrangement designed to protect against or manage exposure to fluctuations in the price of commodity or raw materials actually used in the ordinary course of business of such Person.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income from continued operations for such period, plus to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges for such period; plus

(2) any amount of tax on profits, gains or income whether paid or accrued by the Issuer and its Restricted Subsidiaries for such period; plus

(3) any amount attributable to any amortization of the Issuer and its Restricted Subsidiaries (including amortization of any goodwill arising from purchase accounting) and any depreciation of the Issuer and its Restricted Subsidiaries for such period; less

(4) non-cash items increasing such Consolidated Net Income for such period (other than (a) any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) to (9) of the definition of Consolidated Net Income, (b) any non-cash items which represent the reversal in such period of any accrual of or provision for anticipated charges in a prior period where such accrual or provision is no longer required or (c) any non-cash items representing a receipt of cash in any future period in the ordinary course of business).

Notwithstanding the preceding sentence, clauses (2) and (3) relating to amounts of a Restricted Subsidiary of the Issuer will be added to Consolidated Net Income to compute Consolidated EBITDA of the Issuer only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of the Issuer and, to the extent the amounts set forth in clauses (2) and (3) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be dividended to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period (without discontinued operations) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP; *provided*, however, that there shall not be included in such Consolidated Net Income:

(1) any profit (loss) for the period (without discontinued operations) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

   (a) subject to the limitations contained in clauses (2), (3) and (4) of this definition, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment; and

   (b) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(2) any net after-tax gain (loss) realized upon the sale or other disposition of any asset (including Capital Stock) of the Issuer or its Restricted Subsidiaries 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);

(3) any net after-tax goodwill impairment;

(4) the non-cash impact of any capitalized interest on any Subordinated Shareholder Debt;

(5) solely for the purpose of determining the Consolidated EBITDA, the cumulative effect of a change in material accounting principles after the Issue Date for the relevant period;

(6) any extraordinary gain, loss or charge;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein

recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(8) (a) any asset impairments charges or the financial impacts of natural disasters (including fire, flood and storm and related events); (b)(x) any one-time non-cash charges or amortization or depreciation, or (y) any one-time cash charges, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any restructuring, reorganization, redundancy or severance; or (c) any start-up losses Incurred by the Issuer or any Restricted Subsidiary in connection with the construction or acquisition of new production sites in an aggregate amount not to exceed €5 million in any such period;

(9) solely for the purpose of determining the amount available for Restricted Payments under clause (iii)(A) of the first paragraph under "*—Covenants—Limitation on Restricted Payments*", any profit (loss) for the period (without discontinued operations) of a Restricted Subsidiary (other than any Guarantor) which is subject to any restrictions, directly or indirectly, on distributions, except to the amount of cash actually received by the Issuer;

(10) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "*—Covenants—Limitation on Indebtedness*" (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence;

(11) any foreign currency translation gains or losses;

(12) minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Capital Stock held by such parties;

(13) any expenses, charges, reserves or other costs related to the Refinancing;

(14) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards; and

(15) deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net loss from any write-off or forgiveness of Indebtedness.

"**Consolidated Net Leverage Ratio**" as of any date of determination, means the ratio of (1) Consolidated Total Net Indebtedness of the Issuer and its Restricted Subsidiaries to (2) the Issuer's Consolidated EBITDA for the most recently ended four full fiscal quarter period for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, with such *pro forma* adjustments to Consolidated EBITDA as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio".

"**Consolidated Secured Debt Ratio**" as of any date of determination, means the ratio of (1) Consolidated Total Indebtedness of the Issuer and its Restricted Subsidiaries that is secured by Liens to (2) the Issuer's Consolidated EBITDA for the most recently ended four full fiscal quarter period for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, in each case with such *pro forma* adjustments to Consolidated Total Indebtedness and Consolidated EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio".

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the sum of (1) the aggregate principal amount of all outstanding Indebtedness (excluding clauses (1)(i) of the definition of "Indebtedness") of the Issuer and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, all obligations relating to Qualified Securitization Financings) and (2) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with GAAP. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Conditions of Issue, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or preferred stock, such Fair Market Value shall be determined reasonably and in good faith by the Issuer.

"**Consolidated Total Net Indebtedness**" means, as at any date of determination, Consolidated Total Indebtedness minus available cash and Cash Equivalents.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, one or more debt facilities (including, without limitation, the Senior Revolving Credit Facility), instruments or arrangements or commercial paper facilities or overdraft facilities or conditions of issue or trust deeds or indentures or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Senior Revolving Credit Facility or one or more other credit or other agreements, conditions of issue, trust deeds, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, companies 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 as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Request Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents 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 above under the caption "*—Covenants—Limitation on Sales of Assets*".

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any personal stake in or with respect to such transaction or series of related transactions.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatory redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is 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 91 days after the earlier of the date (a) of the stated maturity of the Notes or (b) on which there are no Notes outstanding; *provided*, however, that 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 shall be deemed to be Disqualified Stock; *provided* further, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in the Conditions of Issue) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions as set forth under "*—Repurchase at the Option of Holders upon a Change of Control*" and "*—Covenants—Limitation on Sales of Assets*" and such repurchase or redemption complies with "*—Covenants—Limitation on Restricted Payments*".

"**Equity Offering**" means a bona fide underwritten primary public offering of Capital Stock (other than Disqualified Stock) of the Issuer or any Holding Company to the extent the proceeds from such offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer, either:

(1) pursuant to a flotation on the Frankfurt Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union on 31 December 2003; or

(2) pursuant to an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issued or issuable under any employee benefit plan).

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, 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 and Financial Data" section (or if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Issuer or any of its Restricted Subsidiaries has complied with any covenant or other provision in the Conditions of Issue or if there has occurred an Event of Default and an amount is expressed in a currency other than the euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non-euro currency.

"**European Government Obligations**" means any security that is (1) a euro denominated direct obligation of Austria, France, Germany, the Netherlands or any other Permissible Jurisdiction, 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.

"**Existing Notes**" means the Issuer's outstanding €327,000,000 principal amount of 6.50% senior secured notes due 2020.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by the principal financial officer and the principal executive officer of the Issuer or the Board of Directors of the Issuer.

"**Financial Indebtedness**" means any Indebtedness described under clauses (1)(a), (1)(b), (1)(e), (1)(g) and (1)(h) of the definition of "Indebtedness".

"**Fixed Charge Coverage Ratio**" means as of any date of determination, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Consolidated EBITDA for the period of the most recently ended four consecutive full fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Fixed Charges for such four consecutive full fiscal quarters; *provided*, however, that:

(1) if the Issuer or any Restricted Subsidiary:

  (a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Indebtedness during such four quarter period or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four quarter period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

  (b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition or discontinued any company, division, operating unit, segment, business or line of business or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio includes such a transaction:

  (a) the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition or discontinuation for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period; and

  (b) Fixed Charges for such period shall be reduced by an amount equal to the Fixed Charges directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition or discontinuation for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Fixed Charges for such period shall be reduced by the amount of Fixed Charges directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Issuer) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) of this definition if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Incurrence or discharge of Indebtedness, Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any calculation under this definition, the *pro forma* calculations (including, without limitation, in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness).

"**Fixed Charges**" means, with respect to the Issuer and its Restricted Subsidiaries for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of the Issuer and its Restricted Subsidiaries for such period, whether paid or accrued, including without limitation:

   (a) amortization of debt discount, debt issuance costs, commissions, fees, discounts, prepayment fees, premium or charges and other finance costs in respect of Financial Indebtedness whether paid or payable and depreciation of any such financing costs capitalized during such period (but excluding in each case (x) financing costs such as legal fees, advisory costs, security valuation expenses or similar expenses, (y) any commissions, fees, discounts, prepayment fees, premium, swap termination costs or other charges or payments incurred in connection with the Refinancing and (z) commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing), and

   (b) the interest portion of any deferred payment obligation with respect to any Financial Indebtedness; plus

(2) any interest on Indebtedness of another Person that is guaranteed by the Issuer or one of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or one of its Subsidiaries whether or not such Guarantee or Lien is called upon; plus

(3) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of the Issuer or on any series of preferred stock of any Restricted Subsidiaries of the Issuer other than dividends to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP; plus

(4) interest expense attributable to Capitalized Lease Obligations; plus

(5) non-cash interest expense; plus

(6) costs associated with Hedging Obligations related to Indebtedness (but excluding any non-cash interest expense or income attributable to the movement in the mark to market valuation thereof); plus

(7) interest expense capitalized during such period (but excluding such interest on Subordinated Shareholder Debt).

"**GAAP**" means generally accepted accounting principles in the Federal Republic of Germany and in effect on the Issue Date, or with respect to the covenant described under "*—Covenants—Reports*", as in effect from time to time; provided, however, that at any time after the Issue Date, the Issuer may elect to apply IFRS for the purposes of the Conditions of Issue, and from and after such election references herein to GAAP shall be deemed to be references to IFRS and all defined terms in the Conditions of Issue, and all ratios and computations based on GAAP shall be computed in conformity with IFRS, from and after any such election.

"**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 agreement 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 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" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Agreements**" means any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Hedging Agreements.

"**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

"**Holding Company**" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Holding Company.

"**Holding Company Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Holding Company 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 Conditions of Issue or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;

(2) customary indemnification obligations of any Holding Company owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Holding Company in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Holding Company in connection with the Refinancing;

(5) reasonable general corporate overhead expenses, including but not limited to (a) professional fees and expenses and other operational expenses of any Holding Company related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing or the ownership or operations, directly or indirectly, by any Holding Company, (c) any taxes and other fees and expenses required to maintain such Holding Company's corporate existence and to provide for other ordinary course operating costs, including reasonable customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Holding Company and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Holding Company;

(6) expenses Incurred by any Holding Company in connection with any sale of Capital Stock or Indebtedness:

   (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

   (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

   (c) otherwise on an interim basis prior to completion of such offering so long as any Holding Company shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(7) any (i) income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries and (ii) value added taxes to be paid by any Holding Company in respect of any payments made under clauses (1) through (6) above or as controlling company of a value added tax group for the members of such value added tax group, but only to the extent such value added taxes are attributable to the Issuer and its Restricted Subsidiaries and, to the extent corresponding amounts are actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to such Unrestricted Subsidiaries;

provided, in each case, that such expense relates to the Issuer and its Subsidiaries in the ordinary course of business and has been deducted from Consolidated Net Income as an expense.

"**IFRS**" means the International Financial Reporting Standards as endorsed by the European Union and in effect on the date of any calculation or determination required hereunder.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become liable for (contingently or otherwise); *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) shall be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and further *provided* that for purposes of the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*, "the obligation to pay the deferred and unpaid purchase price of property is considered Incurred on the date of signing the related purchase agreement if the delivery and taking title of such property under such purchase agreement is not subject to any conditions within the control of the purchaser and such delivery and taking title of such property will be completed less than six months after the signing of the related purchase agreement. The terms "**Incurred**" and "**Incurrence**" have meanings correlative to the foregoing.

"**Indebtedness**"

(1) means, with respect to any Person on any date of determination (without duplication):

   (a) the principal of indebtedness for borrowed money;

   (b) the principal of obligations evidenced by bonds, debentures, notes or other similar instruments;

   (c) all reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable or other obligation not constituting Indebtedness and such obligation is satisfied within 30 days of Incurrence);

   (d) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors accrued in the ordinary course of business), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

   (e) Capitalized Lease Obligations;

   (f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Disqualified Stock or, with respect to any Restricted Subsidiary, preferred stock (but excluding any accrued dividends);

(g) the principal component of Indebtedness of other Persons to the extent Guaranteed by the Issuer or a Restricted Subsidiary;

(h) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of the Issuer or any Restricted Subsidiary, whether or not such Indebtedness is assumed by the Issuer or any Restricted Subsidiary; *provided*, however, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such assets at such date of determination and (b) the amount of such Indebtedness of such other Person; and

(i) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (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),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described in this definition and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(2) Notwithstanding the other provisions of this definition, in no event shall the following constitute Indebtedness:

(a) Subordinated Shareholder Debt;

(b) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, however, that, at the time of closing, the amount of any such payment is not determinable and to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(c) anything accounted for as an operating lease under GAAP or IFRS (each, as in effect on the Issue Date) and any guarantee given by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business solely in connection with, and in respect of, the obligation of the Issuer or any of its Restricted Subsidiaries under any operating lease;

(d) Contingent Obligations in the ordinary course of business; or

(e) 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.

(3) In addition, "Indebtedness" of any Person shall include Indebtedness described in clause (1) of this definition that would not appear as a liability on the balance sheet of such person if:

(a) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(b) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(c) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(i) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(ii) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Fixed Charges to the extent actually paid by the Issuer or its Restricted Subsidiaries.

"**Intercreditor Agreement**" means the intercreditor agreement originally dated May 8, 2013 and to be amended by an amendment agreement to be entered into on or prior to the Issue Date, with relevant amendments to become effective on the Redemption Date, between, among others, the Security Agent, the agent for the Senior Revolving Credit Facility and the other parties named therein, as further amended, restated or otherwise modified or varied 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 as to which such Person is party or a beneficiary.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances or extensions of credit to customers or suppliers in the ordinary course of business) or other extensions of credit (including by way of Guarantee or similar arrangement) 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 any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

For purposes of the definition of "Unrestricted Subsidiary" and the covenant set forth under "*—Covenants—Limitation on Restricted Payments*", "Investment" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "Investment" in such Subsidiary at the time of such re-designation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary.

Any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth under "*—Covenants—Limitation on Restricted Payments*" covenant. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Voting Stock of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means with respect to Moody's Investors Service Inc., a rating of Baa3 or higher and with respect to Standard & Poor's Ratings Group, Inc., a rating of BBB− or higher.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding ordinary shares or common equity interests of the Issuer or any Holding Company at the time of closing of the first Equity Offering of the Issuer or Holding Company, as applicable, multiplied by (ii) the price per share at which such ordinary shares or common equity interests are sold in such Equity Offering.

"**Issue Date**" means , 2016.

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien or charge of any other kind of security right in rem (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing), whether or not filed, recorded or otherwise perfected under applicable law.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of the Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or

Subordinated Shareholder Debt (or similar obligations) of the Issuer, its Subsidiaries or the Parent 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) not exceeding €1 million in the aggregate outstanding at any time.

"**Market Capitalization**" means, following the first Equity Offering that results in a Public Market, an amount equal to (i) the total number of issued and outstanding ordinary shares or common equity interests of the Issuer or relevant Holding Company, as applicable, on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per ordinary share or common equity interest for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**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 instalment 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, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under GAAP as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured on a higher priority than the Notes 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 in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; *provided*, however, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Indebtedness, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Officer**" means, with respect to any Person, (1) any managing director, director or member of the management board or senior executive (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 Conditions of Issue by the Board of Directors of such Person.

"**Officers' Request Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the intended recipient under the Conditions of Issue. The counsel may be an employee of or counsel to the Parent or the Issuer.

"**Parent**" means WEPA Industrieholding SE, until a Person shall have become the Successor Company to the Parent and thereafter "Parent" shall mean such Successor Company.

"**Parent Loan**" means any loan advanced by the Parent to the Issuer for purposes of financing any working capital requirements of the Issuer or a Restricted Subsidiary.

"**Parent Up-stream Loan**" means all outstanding obligations, including as to principal and interest, under the loan granted by the Issuer to the Parent in connection with the cancellation of the Issuer's former 22.27% stake in Marsberger Kraftwerk GmbH, as further described in the section of this offering memorandum entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Divestment of Stakes in Spanish Joint Venture and Marsberger Kraftwerk GmbH*".

"**Pari Passu Indebtedness**" means, in the case of the Notes, any Indebtedness of the Issuer that ranks equally in right of payment with the Notes and, in the case of the Guarantors, any Indebtedness of the applicable Guarantor that ranks equally in right of payment to the Note Guarantee of such Guarantor.

"**Permissible Jurisdiction**" means any member state of the European Union on December 31, 2003 (other than Greece, Ireland, Italy, Portugal and Spain).

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral to secure the Notes (or the Note Guarantees) issued on the Issue Date and any Refinancing Indebtedness in respect thereof; *provided* that all property and assets (including, without limitation, the Collateral) securing such Refinancing Indebtedness secures the Notes or the Note Guarantees on a senior or *pari passu* basis; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(2) Liens on the Collateral to secure Indebtedness under a Credit Facility that is permitted by clause (i) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" which may have super priority not materially less favorable to the Holders than that accorded to the Senior Revolving Credit Facility on the Issue Date as provided in the Intercreditor Agreement as in effect on the Issue Date; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees on a senior or *pari passu* basis; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) Liens on the Collateral securing the Issuer's or any Restricted Subsidiary's (x) obligations under Hedging Obligations permitted by clause (vi) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" or (y) Cash Management Liabilities permitted by clause (xi)(e) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; *provided* that a Lien in favor of Priority Hedging Obligations and Cash Management Liabilities may have super priority not materially less favorable to the Holders than that accorded to the Senior Revolving Credit Facility on the Issue Date as provided in the Intercreditor Agreement as in effect on the Issue Date; *provided* that all property and assets securing such Indebtedness also secures the Notes or the Note Guarantees; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) (x) Liens securing Indebtedness Incurred pursuant to the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" and (y) Liens on Securitization Assets and related assets Incurred in connection with any Qualified Securitization Financing; *provided* that, in each case of clauses (x) and (y), such Liens also secure the Notes on an equal and ratable basis;

(5) in connection with the granting or creation of any Liens on assets or property contemplated by clause (29) of the definition of "Permitted Liens" and any Refinancing Indebtedness, any easements hereditary building rights (*Erbbaurechte*) or similar encumbrances, granted with regard to any real property or portion of real property constituting Collateral on which any such assets or property are being installed or constructed or proposed to be installed or constructed; provided that any such easements, hereditary building rights (*Erbbaurechte*) or similar encumbrances are reasonably required (as determined in good faith by the Issuer's Board of Directors) for the financing, refinancing, construction, installation or operation of the paper

machine(s); provided further that the Security Agent shall take any actions reasonably requested by the Issuer to permit the creation of any such easements, hereditary building rights (*Erbbaurechte*) or similar encumbrances with regard to such real property or portion of real property and to permit the creation of any such Liens contemplated by clause (29) of the definition of "Permitted Liens"; and

(6) Liens described in clauses (1), (2), (3), (4), (5), (6), (10), (11), (13), (18), (20), (21), (22), (23), (24), (25) and (27) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral.

"**Permitted Holders**" means:

(1) Martin Krengel, Wolfgang Krengel and Jochen Krengel;

(2) the parents, spouse, siblings or any direct descendents of any of Martin Krengel, Wolfgang Krengel or Jochen Krengel;

(3) the parents of any spouse of Martin Krengel, Wolfgang Krengel and Jochen Krengel and any of their spouses' or their parents' direct descendants; and

(4) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding 50.1% or more of the Voting Stock (or equivalent interest) therein consist of any one or more Persons referred to in the immediately preceding clauses (1) through (3).

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(1) in the Issuer or a Restricted Subsidiary;

(2) in a Person, if as a result of such Investment, such other Person becomes a Restricted Subsidiary or is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary; *provided*, however, that such Person's primary business is a Related Business;

(3) in any joint venture, Unrestricted Subsidiary or Person that is engaged in a Related Business (whether as a result of an Investment by the Issuer or any Restricted Subsidiary or an Investment by another Person which results in the creation of such joint venture or Person); *provided* that all Investments made pursuant to this clause (3) shall not exceed the greater of €30 million and 3.5% of Total Assets in the aggregate at any one time outstanding;

(4) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments or (iv) pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(5) in existence on the Issue Date or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(6) in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness;

(7) in the Notes;

(8) in cash and Cash Equivalents;

(9) acquired by the Issuer or any Restricted Subsidiary in connection with an asset disposition exempted from the definition of "Asset Disposition" or permitted under "*—Covenants—Limitation on Sale of Assets*" to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(10) Hedging Obligations, which transactions or obligations are incurred in compliance with the "*—Covenants—Limitation on Indebtedness*" covenant;

(11) Guarantees of Indebtedness permitted to be incurred by the covenant described under the "*—Covenants—Limitation on Indebtedness*" covenant and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(12) acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person (including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "*—Covenants—Merger and Consolidation*") after the Issue Date; *provided* 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;

(13) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt;

(14) Management Advances;

(15) taken together with all other Investments made pursuant to this clause (15) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €30 million and 3.5% of Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to "*—Covenants—Restricted and Unrestricted Subsidiaries*", 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; and

(16) in connection with any customary cash management, cash pooling or netting or setting-off arrangements (including, for the avoidance of doubt, any Cash Management Liabilities) entered into in the ordinary course of business (as determined in good faith by the Issuer's Board of Directors).

"**Permitted Liens**" means:

(1) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Indebtedness), warranty obligations or leases to which the Issuer or a Restricted Subsidiary is a party, or to secure public or statutory obligations of the Issuer or a Restricted Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Issuer or a Restricted Subsidiary is a party, or deposits 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;

(2) Liens imposed by law;

(3) Liens for taxes, assessments or other governmental charges;

(4) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or a Restricted Subsidiary in the ordinary course of its business; *provided*, however, that such letters of credit do not constitute Indebtedness;

(5) judgment Liens 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 have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(6) Liens arising solely by virtue of banks' standard business terms and conditions;

(7) Liens existing on the Issue Date (other than in respect of the Notes and the Note Guarantees);

(8) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided* further, however, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(9) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided*, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided* further, however, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(10) Liens securing Indebtedness or other obligations of the Issuer or any Restricted Subsidiary under a cash pool or similar arrangement owed to a Restricted Subsidiary;

(11) Liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*) or similar arrangements entered into in the ordinary course of business;

(12) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured; *provided*, however, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced and shall rank the same priority as the Indebtedness being refinanced;

(13) (a) Liens to secure Indebtedness permitted by clause (ix) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; *provided* that any such Lien shall be limited to the asset financed with such Indebtedness; and (b) Liens to secure Indebtedness of the Issuer or any Restricted Subsidiary represented by Capitalized Lease Obligations, Purchase Money Obligations or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case, acquired after the Issue Date and in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under GAAP) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary not to exceed €30 million, provided in the case of this clause (b), (x) that the aggregate principal amount of any such Indebtedness did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed, (y) the aggregate principal amount of Indebtedness secured by such Liens is Incurred under the first paragraph of the covenant "Limitation on Indebtedness" and (z) that any such Lien shall be limited to the asset financed with such Indebtedness;

(14) Liens securing any Indebtedness of a Restricted Subsidiary owed to the Issuer or another Restricted Subsidiary, *provided* that such Liens are subordinated to the Liens securing the Notes;

(15) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;

(16) Liens in favor of the Issuer or any Guarantor or, as long as such Lien does not secure any obligation of the Issuer or a Guarantor, any Restricted Subsidiary that is not a Guarantor;

(17) leases (including operating 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;

(18) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(19) Liens created for the benefit of (or to secure) the Notes (or any Note Guarantee);

(20) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(21) 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;

(22) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and 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 such Person;

(23) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto; and (b) any condemnation or eminent domain proceedings affecting any real property;

(24) 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;

(25) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(26) Liens pursuant to (a) Section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*); (b) Section 7d of the German Social Law Act No. 4 (*Sozialgesetzbuch IV*); or (c) Section 1136 (alone or in conjunction with Section 1192(1)) of the German Civil Code (*Bürgerliches Gesetzbuch*);

(27) Liens created or subsisting by virtue of hereditary building rights (*Erbbaurechte*);

(28) Liens granted in connection with any customary cash management, cash pooling or netting or setting-off arrangements (including, for the avoidance of doubt, any Cash Management Liabilities) entered into in the ordinary course of business (as determined in good faith by the Issuer's Board of Directors);

(29) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, design, installation or construction of up to two paper machines; *provided* that (a) the aggregate principal amount of such Indebtedness is Incurred under the first paragraph of the covenant "Limitation on Indebtedness" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, installed or constructed with the proceeds of such Indebtedness and any real property on which such assets or property have been installed or constructed; and

(30) Liens on assets of the Issuer and its Restricted Subsidiaries with respect to obligations not to exceed the greater of €25 million and 3.0% of Total Assets at any time.

"**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.

"**Priority Hedging Obligations**" means designated Hedging Obligations in an aggregate amount outstanding at any time of up to €40 million.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity interests of the Issuer or relevant Holding Company, as applicable, has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date.

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, design, installation, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets or otherwise.

"**Qualified Securitization Financing**" means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted

Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the Issuer's Board of Directors or an Officer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's Board of Directors or an Officer) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

"**Rating Agencies**" means Moody's Investors Service Inc. and Standard & Poor's Ratings Group, Inc.

"**Redemption Date**" means the date on which the Existing Notes are fully redeemed.

"**Refinancing**" has the meaning given to such term in this offering memorandum under the caption "*Summary—The Refinancing and Certain Related Transactions*".

"**Refinancing Indebtedness**" means Indebtedness that refinances any Indebtedness Incurred or existing as permitted under and in compliance with the Conditions of Issue; *provided*, however, that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums, incurred in connection with such refinancing);

(4) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(5) if the Indebtedness being refinanced is Indebtedness of the Issuer or a Guarantor, the Refinancing Indebtedness may not be Indebtedness of or Guaranteed by a Restricted Subsidiary that is not a Guarantor; and

(6) such Refinancing Indebtedness is incurred either by the Issuer or a Guarantor (if the Issuer or a Guarantor was the obligor of the Indebtedness being refinanced, replaced or discharged) or by the Restricted Subsidiary that was the obligor of the Indebtedness being refinanced, replaced or discharged and is Guaranteed only by Persons who were obligors or Guarantors of the Indebtedness being refinanced, replaced or discharged.

"**Related Business**" means any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date, and any services, activities or businesses incidental or directly related or similar thereto (including, without limitation, the supply of energy to the Issuer or any Restricted Subsidiary and the supply of raw materials in connection with any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date), or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**Related Taxes**" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Holding Company), required to be paid (provided such Taxes are in fact paid) by any Holding Company by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of its Subsidiaries);

(b) issuing or holding Subordinated Shareholder Debt;

(c) being a holding company, directly or indirectly, of the Issuer or any of its Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of its Subsidiaries; or

(e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Person pursuant to "*—Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Holding Company, any Taxes measured by income for which such Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" means:

(1) the declaration or payment of any dividend or any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) other than:

(a) dividends or distributions payable solely 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 and dividends or distributions payable solely in Subordinated Shareholder Debt; and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if the Restricted Subsidiary paying such dividends or distributions is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a *pro rata* basis;

(2) the purchase, redemption or other acquisition for value of any Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) the purchase, repurchase, redemption, defeasance or other acquisition for value, prior to scheduled maturity or scheduled repayment of any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any Guarantor), other than the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance, other acquisition or scheduled repayment;

(4) any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or

(5) the making of any Restricted Investment in any Person.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The determination of the Fair Market Value shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Securities Act**" means the U.S. Securities Act, as amended and the rules and regulation of the U.S. Securities and Exchange Commission promulgated thereunder.

"**Securitization Assets**" means any accounts receivable subject to a Qualified Securitization Financing.

"**Securitization Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or any of its Restricted Subsidiaries in connection with any Qualified Securitization Financing.

"**Securitization Repurchase Obligation**" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets 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.

"**Security Agent**" means Commerzbank Aktiengesellschaft, as security agent pursuant to the Intercreditor Agreement or any successor or replacement security agent acting in such capacity.

"**Security Documents**" means any agreement or document that provides for a Lien over any Collateral for the benefit of the Holders in each case as amended or supplemented from time to time.

"**Senior Revolving Credit Facility**" means the senior revolving credit facility agreement originally dated April 29, 2013, as amended from time to time, and to be further amended by an amendment agreement to be entered into on or prior to the Issue Date, with relevant amendments to become effective on the Redemption Date, between, among others, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch and HSBC Trinkhaus & Burkhardt AG, as arrangers and original lenders, and the Issuer and certain of its Restricted Subsidiaries as original borrowers, the Issuer and certain of its Restricted Subsidiaries as original guarantors, and Commerzbank Aktiengesellschaft, as facility agent and security agent, as the same may be amended, extended, restated, waived or otherwise modified from time to time.

"**Senior Revolving Credit Facility Lenders**" means the "Finance Parties" as defined under the Intercreditor Agreement.

"**Significant Subsidiary**" means any Restricted Subsidiary which has earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA) representing 10% or more of Consolidated EBITDA or which has total assets or sales representing 10% or more of the total assets or sales of the Issuer and its consolidated Subsidiaries (respectively), in each case, after elimination of any effects of any intra-group transactions, and determined by reference to the most recent audited consolidated financial statements of the Issuer and the most recent audited (if available) or unaudited (if audited statements are not available) unconsolidated financial statements of such Restricted Subsidiary.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

"**Subordinated Shareholder Debt**" means any Indebtedness provided to the Issuer held by any Holding Company or any Permitted Holder in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the final maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the final maturity of the Notes;

(4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Agency Agreement;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Issuer;

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer which incurrence will only be permitted to the extent permitted under the provision set forth under "*—Covenants—Limitation on Indebtedness*", and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"**Subsidiary**" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election or appointment of directors or managers of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including, without limitation, interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"**Total Assets**" means the consolidated total assets of the Issuer and its Restricted Subsidiaries in accordance with GAAP as shown on the most recent balance sheet of the Issuer.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for under "*—Covenants—Restricted and Unrestricted Subsidiaries*"; and

(2) any Subsidiary of an Unrestricted Subsidiary.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS

The following is a summary of certain insolvency law considerations regarding the European Union, Germany, France, Italy and Poland. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the enforceability of the obligations of the Issuer or any Guarantor. See "*Risk Factors—Risks Relating to the Notes and the Guarantees*".

EUROPEAN UNION

Pursuant to Council Regulation (EC) No 1346/2000 of May 29, 2000 on insolvency proceedings, last amended by Council Implementing Regulation (EU) No **663/2014** of June 5, 2014 (the "**EU Insolvency Regulation**"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Union (the "**Member State**") (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "center of main interests" is not a static, but rather a fact and circumstances based concept and may hence change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". The European Court of Justice has ruled that a debtor company's "center of main interests" must be determined by attaching greater importance to the place of the company's central administration as the criterion for jurisdiction. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are also taken in that place in a manner that is ascertainable by third parties, the presumption, that the center of the company's main interests is located in that place, shall be irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above mentioned presumption in general. If a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State the above mentioned presumption can be rebutted. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties.

If the center of main interests of a company is and will remain located in the Member State in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings governed by the *lex fori concursus*, *i.e*., the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor located in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such issuer or guarantor under the EU Insolvency Regulation. 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 EU Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "**New EU Insolvency Regulation**") which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017. The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within a three-month period prior to the request for the opening of insolvency proceedings. Specifically, it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

GERMANY

Insolvency

The Parent, the Issuer and certain Guarantors are organized under the laws of Germany, have their registered offices in Germany and, except for shareholding interests in certain subsidiaries, substantially all of their assets are located in Germany. Consequently, any insolvency proceedings with regard to the Parent, the Issuer and these certain Guarantors are likely to be initiated in Germany and, if the Parent, the Issuer and the Guarantors, respectively, were held to have their center of main interests within the territory of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely 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 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 and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. A draft act to facilitate the mastering of group insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*) is under discussion in Germany. However, according to this draft act it is mainly intended to provide for coordination of and cooperation between insolvency proceedings of group companies. The draft 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 proceedings; (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*). It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

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 as a going concern is predominantly likely (*überwiegend wahrscheinlich*). As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor (*positive Fortführungsprognose*). If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder—such as the Issuer—becomes illiquid and/or over-indebted, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within three (3) weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over-indebtedness occurred, any payments, including any payments under the Notes, are 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 not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings if the debtor is likely to not be able to pay its debts as and when they fall due.

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 (*vorläufige Maßnahmen*) 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 generally 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 no circumstances are known which lead to the expectation that debtor-in-possession status will place the creditors at a disadvantage. 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 a petition for debtor-in-possession status, or on the profile of the (preliminary) insolvency administrator to be appointed or to suggest 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.*, not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it may comprise a representative of the secured creditors, one for the large creditors 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 (*Insolvenzmasse*) 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 (e.g., 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 head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the 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).

From the perspective of the Holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the Parent, the Issuer, any Guarantor or any of their relevant subsidiaries that are subject to the German insolvency regime would be the following:

- the right to administer and dispose of the assets of the Parent, the Issuer, such Guarantor or any of their relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the Parent, the Issuer, such Guarantor or any of their relevant subsidiaries, disposals effected by the management of the Parent, the Issuer, such Guarantor or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of the Parents's, the Issuer's, such Guarantor's or any of their relevant subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings;
- claims against the Parent, the Issuer, such Guarantor or any of their relevant subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and
- any person that has a right for separation (*Aussonderung*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

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 (*Insolvenzordnung*). With some exceptions, secured creditors may not be entitled to enforce their security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus 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 value remaining in the insolvency estate (*Insolvenzmasse*) after the security interests and the preferential claims against the estate have been settled and paid in full.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator must, however, compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the repayment of loans or similar claims), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings (*Massegläubiger*) generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date the insolvency proceedings were opened. The following claims of subordinated creditors shall be satisfied ranking below the other claims of insolvency creditors in the order given herein, and in proportion to 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 offense binding the debtor to pay money; (iv) claims on the debtor's gratuitous performance of a consideration; and (v) claims for the restitution of shareholder loans (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan.

While in ordinary insolvency proceedings, the value of the Parent's, the Issuer's, any Guarantor's or any of their relevant subsidiaries' assets will be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the Parent, the Issuer, such Guarantor or any of their relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., they can be transferred to third parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.,* imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile (*offensichtlich aussichtslos*), the court may grant a period of up to three months to submit an insolvency plan for the debtor business before it opens insolvency proceedings (*Schutzschirm*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*vorläufiger 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 (or in case of debtor-in-possession proceedings, the custodian) may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided 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 void transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In the event of insolvency proceedings with respect to the Parent, the Issuer, any Guarantor or any of their relevant subsidiaries based on and governed by the insolvency laws of Germany, the payment of any amounts to the Holders as well as the granting of Collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges (*i.e.*, clawback rights) by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*). In the event such a transaction is successfully voided (*angefochten*), the Holders of the Notes may not be able to recover or retain any amounts under the Notes or the Collateral and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes or Collateral, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the Holders of the Notes would only have a general unsecured claim under the Notes 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 voided according to the German Insolvency Code (*Insolvenzordnung*) in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that clearly suggest such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that clearly suggest such detrimental effect);
- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act;

- any non-gratuitous contract concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided 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 who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third-party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if he or she knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to an "affiliated party", there is a general statutory presumption that such party had "knowledge".

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged—under certain circumstances—under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*) by not being subject to avoidance rights.

Apart from the examples of an insolvency administrator voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

The German legislator is currently discussing a draft amendment concerning the statutory avoidance provisions in the German Insolvency Code (*Insolvenzordnung*). Amendments are envisaged with regards to, among others, the provisions for avoidance claims in connection with willful intent, for cash transactions (*Bargeschäfte*) and the interest rates on avoidance claims. It is also intended to privilege creditors which have obtained coverage of their claims on the basis of a valid enforcement order. It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the 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.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

The granting of guarantees and/or Collateral by German Guarantors will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "*GmbHG*") if that Guarantor is incorporated in Germany in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*—a "**GmbH**") or a German limited partnership with a German limited liability company as general partner (a "**GmbH & Co. KG**"). As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e*., assets minus liabilities and liability reserves)—or, in case of a GmbH & Co. KG, its general partner's net assets—is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees or security interests granted by a GmbH or a GmbH & Co. KG in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and to provide security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to limit any potential personal liability of management, it is standard market practice for credit agreements, indentures, 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 beneficiaries of the guarantees contractually agree to enforce the guarantees and security interests against the German subsidiary only if and to the extent that such enforcement does not result in the subsidiary's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital.

Accordingly, as a matter of German corporate law, the Guarantee Agreement, to the extent provided by a Guarantor incorporated in Germany in a relevant corporate form as described above, contains such contractual limitation language and such Guarantees are limited in the manner described. This could lead to a situation in which the respective Guarantee granted by such Guarantor cannot be enforced at all.

German capital maintenance rules 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 German Guarantors constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German Guarantors to make payments on the Guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (*i.e.*, a situation where a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a Guarantee granted by a German Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), 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 Guarantees by any of the German Guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the Guarantee could become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee and/or collateral was 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 strict accessory nature and are therefore dependent on the secured claims and require the security holder and the creditor of the secured claim to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interest.

The accessory security interests will also be granted to the Security Agent. The Security Agent is however not a creditor under the Notes. The Holders on the other hand are creditors under the Notes and the Guarantees. In order to allow the Holders to benefit from the pledges, such pledges will also secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the Holders' claims under the Notes directly. The parallel debt is in the same amount and payable at the same time as the obligations of the creditors under the Notes and the 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 Holders and the Guarantors for the full principal amount of the Notes, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, it cannot be ruled out that such concept will not be recognized by German courts or that it will eliminate or mitigate the risk of invalidity and unenforceability of pledges. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

Moreover, the Security Agent holds the pledges in trust. This means that in the case of an insolvency of the Security Agent, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right (*Aussonderungsrecht*) of the Holders with respect to the secured claims. As a consequence the secured claims (including the parallel debt) and the accessory security rights would remain with the (then insolvent) Security Agent.

FRANCE

Insolvency

We conduct part of our business activity in France and, to the extent that the center of main interests of the Issuer or any of the Guarantors is deemed to be in France, they would be subject to French proceedings affecting creditors, including court-assisted proceedings (mandat ad hoc or conciliation proceedings) and court-administered proceedings, being either safeguard proceedings, accelerated safeguard proceedings or accelerated financial safeguard proceedings (sauvegarde, sauvegarde accélérée or sauvegarde financière accélérée), judicial reorganization proceedings (redressement judiciaire) or judicial liquidation proceedings (liquidation judiciaire). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the Guarantees granted by the Guarantors and corresponding security interests in the Collateral.

Under the European Council Regulation (EC) No.1346/2000 on insolvency proceedings, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the debtor's center of main interests is situated in France. In the case of a debtor which is a legal person, the place of the registered office shall be presumed to be its center of main interests in the absence of proof to the contrary. In determining whether the center of main interests of a debtor is in France, French courts will take into account a broad range of factual elements.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Grace periods

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1244-1 et seq. of the French Civil Code.

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published annually by the French government) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1244-1 et seq. of the French

Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

With respect to grace periods under Articles 1244-1 et seq. of the French Civil Code, pursuant to Article L.611-7 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement.

Insolvency test

Under French law, a debtor is considered to be insolvent (en état de cessation des paiements) when it is unable to pay its due debts with its immediately available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (état de cessation des paiements) is generally deemed to be the date of the court ruling commencing the insolvency proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling.

Court-assisted Proceedings

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (mandat ad hoc or conciliation), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders e.g. an agreement to reduce or reschedule its indebtedness.

Mandat ad hoc proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, mandat ad hoc proceedings are used by debtors that are facing any type of difficulties but are not insolvent (see "—Insolvency test"). The proceedings are informal and confidential. They are carried out under the aegis of a court-appointed officer (mandataire ad hoc), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the mandataire ad hoc are determined by the competent court (usually the commercial court) that appoints him or her, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. Mandat ad hoc proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1244-1 et seq of the French Civil Code (see "—Grace periods"). The agreement reached is reported to the president of the court but is not formally approved by it. The order of the president of the court appointing a mandataire ad hoc is notified for information purposes to the debtor's auditors.

Conciliation proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see "—Insolvency Test") or has not been insolvent for more than 45 calendar days. The proceedings are confidential by law. They are carried out under the aegis of a court-appointed conciliator (conciliateur), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to four months (with the conciliateur being able to request a one-month extension). The duties of the conciliateur are to assist the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties, e.g. providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. Conciliation proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so. In any event, the debtor retains the right to petition the judge which commenced the conciliation proceedings for a grace period under Article 1244-1 et seq. of the French Civil Code (see "—Grace Periods"), such decision being taken after hearing the conciliateur.

The conciliation agreement reached between the parties may be acknowledged (constaté) by the president of the Commercial Court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement) and enforceable without further recourse to a judge (force exécutoire), but the conciliation proceedings remain confidential. The court can, at the request of the debtor, appoint the conciliateur to monitor the implementation of the agreement (mandataire à l'exécution de l'accord) during its execution.

Alternatively, the conciliation agreement may be approved (homologué) by the Commercial Court at the request of the debtor, which approval will have the same effect as its acknowledgement (constatation) as described above, except that in addition:

- creditors that, in the context of the conciliation proceedings provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- the works council or employee representatives are informed of the full terms of the conciliation agreement; the publicly available Court decision approving such agreement will however only disclose the amount of any New Money Lien and the guarantees and security interests granted to secure the same;
- when the debtor is submitted to statutory auditing, the conciliation agreement is transmitted to its statutory auditors; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see "—Insolvency test"), and therefore the starting date of the hardening period (as defined below; see "—The "hardening period" (période suspecte) in judicial reorganization and liquidation proceedings"), cannot be set by the court as of a date earlier than the date of the approval (homologation) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the conciliateur to monitor the implementation of the agreement (mandataire à l'exécution de l'accord) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- the debtor retains the right to petition the court that commenced the conciliation proceedings for a grace period pursuant to Article 1244-1 et seq. of the French Civil Code (see "—Grace periods"), in relation to claims of creditors (other than public creditors) party to the conciliation proceedings that are not already subject to the conciliation agreement, in which case the decision would be taken after having heard the conciliateur (provided that the terms of his or her appointment included monitoring the implementation of the agreement, as referred to above); and
- a third party which had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided that the conciliation agreement is duly performed, any individual proceedings by creditors with respect to the claims dealt with by the conciliation agreement are suspended. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors which is likely to meet the threshold requirements for creditors' consent in safeguard, will be a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

In the event of the adoption of a safeguard plan in the context of safeguard proceedings or of a reorganization plan in the context of judicial reorganization proceedings, in either case commenced subsequently to the approval of a conciliation agreement, the court, with respect to claims benefiting from the New Money Lien, will not be able to impose a debt reduction or a payment deferral to a date later than the date on which the plan is adopted.

At the request of the debtor and after the creditors taking part in the conciliation proceedings have been consulted on the matter, the conciliateur may be appointed with a mission to organize the partial or total sale of the debtor which could, in particular, be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the conciliateur may be directly considered by the court in the context of safeguard, reorganization or liquidation proceedings after consultation of the State prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a mandataire ad hoc or of the commencement of conciliation proceedings or of a request submitted to this endor (ii) requires the debtor to bear, by reason only of the appointment of a mandataire ad hoc or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisors retained by creditors in connection with these proceedings, is deemed null and void.

Court-administered Proceedings—Safeguard

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (procédure de sauvegarde) with respect to itself, provided that it is not insolvent (see "—Insolvency test"). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (administrateur judiciaire) is (except for small companies where the court considers that such appointment is not necessary) appointed to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (projet de plan de sauvegarde) that it will circularize to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise ex post facto control over decisions made by the debtor (mission de surveillance) or assist the debtor to make all or some of the management decisions (mission d'assistance), all under the supervision of the court.

During the safeguard proceedings, payment by the debtor of any debts incurred prior to the commencement of the proceedings is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (patrimoine fiduciaire).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt forgiveness and payment terms) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies to debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant, and who have 150 employees or less or a €20.0 million of turnover or less.

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, provided that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the maximum possible length of the plan (ten years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors which do not respond within 30 days of their receipt of the debt settlement proposal (other than debt for equity swaps) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard plan (plan de sauvegarde) can impose on them a uniform rescheduling of their claims (subject to the specific regime of claims benefiting from the New Money Lien) over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual iinstalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation: This applies to large companies, (whose accounts are certified by a statutory auditor (commissaire aux comptes) or established by a chartered-accountant (expert-comptable) and with more than 150 employees or a turnover greater than €20.0 million), or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees which are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (the "credit institutions committee"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers—and other suppliers invited to participate in such committee by the court-appointed administrator (the "major suppliers committee").

If there are any outstanding debt securities in the form of obligations (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the "bondholders' general meeting"), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law of those obligations.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, inter alia, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors which are members of the credit institutions committee or the major suppliers committee may also prepare an alternative safeguard plan that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders' general meeting and gives rise to a report by the court-appointed administrator (administrateur judiciaire). Bondholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within a minimum of 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors' committee or of the bondholders' general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to: (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party, as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors' committee/bondholders' general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator.

The amounts of claims secured by a trust (fiducie) granted by the debtor do not give rise to voting rights. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan nor take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders' general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders (see below), the plan has to be approved (arrêté) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

Creditors outside the creditors' committees or the bondholders' general meeting are consulted in accordance with the standard consultation process referred to above.

If the debtor's proposed plan is not approved by both committees and the bondholders' general meeting within the first six months of the observation period (either because they do not vote on the plan, or because the rejected it), this six month period may be extended by the court at the request of the court appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the court empowers the court-appointed administrator to convene a shareholders' meeting in order to take corporate resolutions with respect to the modification of the debtor's by-laws (including modifications of its share capital) required by a safeguard plan, the court may order that, under certain conditions, the shareholders' decisions be adopted by a majority vote of the shareholders attending or represented, as long as such shareholders own at least half of the shares with voting rights.

If no proposed safeguard plan whatsoever is adopted by the committees, at the request of the debtor, the court-appointed administrator, the mandataire judiciaire or the State prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Specific case—Creditors that are public institutions: Public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors examine possible remissions, within the framework of a local administrative committee (Commission des Chefs de Services Financiers). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

Court-Administered Proceedings—Accelerated Safeguard and Accelerated Financial Safeguard

A debtor which is the subject of conciliation proceedings may request the commencement of accelerated safeguard proceedings (procédure de sauvegarde accélérée) or accelerated financial safeguard proceedings (procédure de sauvegarde financière accélérée).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, i.e. those:

- which publish consolidated accounts in accordance with Article L.233-16 of the French Commercial Code; or
- which publish accounts certified by a statutory auditor or established by a certified public accountant and have (i) more than 20 employees or (ii) a turnover greater than €3.0 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings, to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month).

In particular, the creditors' committees and the bondholders' general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent).

While accelerated safeguard proceedings apply to all creditors, accelerated financial safeguard proceedings apply only to "financial creditors" (i.e., creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying any amounts (including interest) relating to debts incurred prior to the commencement of the proceedings, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply. Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil three conditions:

- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees within a maximum of three months following the commencement of accelerated safeguard proceedings (or within a maximum of up to two months following the commencement of accelerated financial safeguard proceedings).

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Judicial Reorganization or Liquidation Proceedings

Judicial reorganization (redressement judiciaire) or liquidation proceedings (liquidation judiciaire) may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings (or for conciliation proceedings, as discussed above) within 45 days of becoming insolvent; de jure managers (including directors) and, as the case may be, de facto managers are exposed to civil liability if it fails to do so.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the safeguard proceedings observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (mandataire judiciaire) or the State prosecutor, the court may convert safeguard proceedings into reorganization proceedings or liquidation proceedingsif it appears that the debtor was already insolvent at the time of the court decision opening the proceedings. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

In the event of reorganization, an administrator (administrateur judiciaire) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a reorganization plan, which is similar to a safeguard plan), or the sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (mission d'assistance) or may be empowered by the court to take over the management and control of the debtor (mission d'administration).

Committees of creditors and a bondholders general meeting may be created under the same conditions as in safeguard proceedings (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (mandataire judiciaire), the State prosecutor or at its own initiative, order the partial stop of the activity (cessation partielle de l'activité) or order the liquidation of the debtor. At the end of the observation period, the outcome of the proceedings is decided by the court.

In reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L.626-3 of the French Commercial Code, the administrator may appoint a trustee (mandataire de justice) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favour of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French labor code) one or more companies having together at least 150 employees, (ii) the disappeareance of the company is likely to cause serious harm to the national or regional economy and (iii) the modification of the company's share capital seems to be the only credible way to avoid harm to the national or regional economy and allows the continued operation of the business as a going concern, then following (x) the review of the options for a total or partial sale of the business and at the request of the court-appointed administrator or of the State prosecutor and (y) at least 3 months having elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (mandataire) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or
- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital increase and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in

the company's shareholder meetings; the minority shareholders have the right to withdraw from the company and request that their shares be purchased by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (mandataire judiciaire). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes:

- an asset sale plan (in which case a court-appointed administrator (administrateur judiciaire) will usually be appointed to manage the debtor and organize such sale of the business); or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
  - launch auction sales;
  - sell on an amicable basis each asset for which spontaneous purchase offers have been received, (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder); or
  - request, under the supervision of the bankruptcy judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (procédure des plis cachetés).

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (extinction du passif), or continuation of the liquidation process becomes impossible due to insufficiency of assets (insuffisance d'actif).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;
- in the event where there are insufficient funds to pay off the creditors, by appointing a mandataire in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

The "hardening period" (période suspecte) in Judicial Reorganization and Liquidation Proceedings

The date of insolvency (cessation des paiements) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (homologation) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the hardening period (période suspecte), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner which is not commonly used in the ordinary course of business and security granted for previously incurred obligations, provisional attachment or seizure measures (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (fiducie) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (fiducie) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (déclaration d'insaisissabilité).

- Transactions which are voidable by the court include payments made on debts that are due, transactions for consideration and notices of attachments made to third parties (avis à tiers détenteur), seizures (saisie attribution) and oppositions made during the hardening period, in each case if the court determines that the creditor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or SFA proceedings, since the condition required to commence such proceedings is that the company is not insolvent within the meaning of French law.

Status of Creditors during Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the commencement of the safeguard or insolvency proceedings constitutes an event of default are not enforceable against the debtor. Nor are "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (contrats en cours) which it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of reorganization proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (plan de cession) (which it may do for a period of three months, renewable once); in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the "plan for the sale of the business" or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (connexes) debts and payments authorized by the insolvency judge (juge commissaire) to recover assets for which recovery is justified by the continued operation of the business;
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings, unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and which were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien), provided that they are duly filed within one year of the expiry of the observation period;
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or

accelerated financial safeguard proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:

- to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
- to terminate a contract for non-payment of amounts owed by the creditor; or
- to enforce the creditor's rights against any assets of the debtor, except where such asset—whether tangible or intangible, movable or immovable—is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 5 of the EU Insolvency Regulation;
- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (contrat en cours), will be required.

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above).

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official gazette (Bulletin Officiel des annonces civiles et commerciales); this period is extended to four months for creditors domiciled outside France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors on whose behalves no claims have been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferred creditors under French law.

At the beginning of the proceedings, the debtor must provide the judicial administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proofs of claim.

In accelerated safeguard and accelerated financial safeguard proceedings, however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors which did not take part in the conciliation proceedings must file their proofs of claim within the aforementioned deadlines.

In accelerated financial safeguard proceedings, debts owed to creditors other than banks, financial institutions or bondholders continue to be payable in the ordinary course.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a plan for the sale of the business (plan de cession) of the debtor in judicial reorganization or judicial liquidation proceedings, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator (usually the former creditors' representative) in charge of selling the assets of the debtor and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business is considered, the court will usually appoint a court-appointed administrator to manage the debtor during the temporary continuation of the business operations (see above) and to organize the sale of the business process.

If the court adopts a plan for the sale of the business, it can also set a time period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien (see above), post-commencement creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post commencement creditors.

As soon as insolvency proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

Creditors' Liability

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful, in the case of: (i) fraud; (ii) interference with the management of the debtor; or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Limitations on Guarantees

The liabilities and obligations of the French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 241-3, L. 242-6 or L.244-1 of the French Commercial Code; and
- French corporate benefit rules.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled.

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

Accordingly, the Guarantee of the French Guarantor and the amounts recoverable thereunder will be limited, at any time, to the proceeds of the Notes to the extent directly or indirectly on-lent by the Issuer, or used to refinance indebtedness previously directly or indirectly on-lent, to the French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding on the date a payment is requested to be made by the French Guarantor under its Guarantee. Any payment made by the French Guarantor under the Guarantee in respect of the obligations of any other obligor shall reduce pro tanto the outstanding amount of the intercompany loans due by the French Guarantor or its subsidiaries under the intercompany loan arrangements referred to above. By virtue of this limitation, the French Guarantor's obligation under the Guarantee could be significantly less than amounts payable with respect to the Notes, or the French Guarantor may have effectively no obligation under its Guarantee.

In addition, if the French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm's-length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

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

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that the Security Agent shall have no 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 or société par actions simplifiée) that are governed by French law consist of pledges over a securities account (nantissement de compte de titres) 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 pledged company. In France, no lien searches are available for security interests which are not publicly registered, with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

Limitations on enforcement of security interests and cash amount (soulte)

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (parts sociales)) may generally be enforced at the option of the secured creditors either: (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (attribution judiciaire) or (iii) contractual foreclosure (pacte commissoire) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (soulte) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

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

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

Parallel Debt

Under French law, the pledgee of a French law security interest and the creditor of the claim secured by such security interest are required to be the same person. Such security interest cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary (fiduciaire) under Article 2011 of the French Civil Code. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, there will be provided for the creation of "parallel debt" obligations in favor of the Security Agent (the "Parallel Debt") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Global Notes and the Guarantee Agreement (the "Principal Obligations").

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

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

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

Fraudulent conveyance

French law contains specific "action paulienne" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The action paulienne offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (mandataire judiciaire), the commissioner of the safeguard or recovery plan (commissaire à l'exécution du plan) insolvency proceedings of the relevant debtor or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (à titre gratuit), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Note 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 Note Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

Recognition of intercreditor arrangements by French courts

There is no law or published decision of the French courts of appeal or of the French Supreme Court (Cour de cassation) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Article L.626-30-2 and L.626-32 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 (or, as applicable, to the general meeting of bondholders) takes into consideration (prend en compte) the provisions of subordination agreements between creditors which were entered into prior to the commencement 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.

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 convenu" (entiercement), that the first ranking and second or lower ranking secured parties have consented to the creation of second or lower ranking pledge and that the first ranking secured parties or the company have accepted their appointment as tiers convenus and hold the pledged securities as custodian for the benefit of both the first ranking and the second or lower ranking secured parties. This structure has not been tested before the French courts and no assurances can be given that such second or lower ranking pledges would be upheld if tested. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Notes or Notes Guarantees (as applicable) following an enforcement event.

ITALY

The following is a brief description of certain aspects of insolvency law in Italy. Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts.

In Italy, the courts play a central role in the insolvency process and in-court procedures may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**"), are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims as well as, in case of the "Prodi bis" procedure or "Marzano" procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation focusing on the continuity and survival of financially distressed businesses and enhancing pre bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (insolvenza) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, status in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out of court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition, the following forms of debt restructuring and bankruptcy are available under Italian law for companies in a state of crisis and for insolvent companies.

Out of Court Reorganization Plans (piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out of court debt restructuring agreements are based on restructuring plans (piani di risanamento attestati) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the company. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

The terms and conditions of these plans are freely negotiable, provided that they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in court pre bankruptcy agreement proceedings and debt restructuring agreements, out of court reorganization plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor subsequently declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions: (i) are not subject to clawback action; and (ii) are exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although publication in the companies' register is possible upon a debtor's request and would allow for certain tax benefits) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in court pre bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti) Pursuant to Article 182 bis of the Italian Bankruptcy Law

Out of court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non participating creditors can be fully satisfied within 120 day term from: (i) the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non participating creditors as at the date of the sanctioning (omologazione) of the debt restructuring agreement by the court; and (ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non participating creditors as of the date of the sanctioning (omologazione) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (omologazione) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The moratorium can be requested, pursuant to Article 182 bis, Paragraph 6 of the Italian Bankruptcy Law, by the debtor from the court pending negotiations with creditors (prior to the above mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the concordato preventivo (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, inter alia, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

Italian Law Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (accordi di ristrutturazione dei debiti), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182 septies of Italian Law Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so-called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (convenzione di moratoria) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met.

Such debt restructuring agreements and standstill agreements will not affect the rights of non financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182 quater of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court supervised Pre Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for a debt restructuring agreement or a court supervised Pre Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (omologazione) of the agreement.

Pursuant to the new Article 182 quinquies of the Italian Bankruptcy Law, the court, pending the sanctioning (omologazione) of the agreement pursuant to Article 182 bis, paragraph 1, or after the filing of the petition pursuant to Article 182 bis, paragraph 6, or a petition for a concordato preventivo, also pursuant to Article 161, paragraph 6, may authorize the debtor to: (i) incur new pre deductible indebtedness subject to authorization by the court and if an expert certifies that such financing is functional to the overall restructuring process, (ii) secure such indebtedness via in rem securities ("**garanzie reali**"), provided that the expert appointed by the debtor declares the aim of the new financial indebtedness results in a better satisfaction of the creditors; and (iii) pay debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of Italian Law Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182 quinques of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court supervised pre bankruptcy compositions with creditors (concordato preventivo) outlined below.

Furthermore, according to the Article 1 of the Italian Law Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182 bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182 bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so-called pre deducibile) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court Supervised Pre Bankruptcy Composition with Creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (attivo patrimoniale) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenues (ricavi lordi) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a concordato preventivo (together with, inter alia, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for concordato preventivo is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the concordato preventivo, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the concordato preventivo by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the concordato preventivo is published in the company's register are ineffective against such pre existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims (including through non recurring transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (assuntore) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the concordato preventivo may be preceded by the filing of a preliminary petition for a concordato preventivo (so-called concordato in bianco, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Law Decree No. 69/2013 as converted into Law No. 98/2013 ("Law Decree 69/2013")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182 bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (commissario giudiziale) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a concordato preventivo; and (ii) set forth reporting and information duties of the company during the above mentioned period.

The debtor company may not file such pre application where it had already done so in the previous two years without the admission to the concordato preventivo having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non recurring activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182 bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182 bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Italian Law Decree 83/2015, as amended by Law 132/2015, are treated as super senior (so-called pre deducibili) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the clawback action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (domanda di pre concordato)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the concordato preventivo within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (concordato con continuità aziendale). In these cases, the petition for the concordato preventivo should fully describe the costs and revenues which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented.

Furthermore, the going concern based arrangements with creditors can provide for, inter alia, the winding up of those assets which are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (giudice delegato) to supervise the procedure, appoints one or more judicial officers (commissari giudiziali) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who shall authorize all transactions that exceed the ordinary course of business).

The concordato preventivo is voted on at a creditors' meeting and must be approved by the majority (by value of claims) of the creditors entitled to vote and, where there are also different classes of creditors, by the majority of classes. According to Italian Law Decree 83/2015, as amended by Law 132/2015, creditors who have not voted at the creditors' meeting will be deemed not to approve the concordato preventivo proposal. Secured creditors are not entitled to vote on the proposal of concordato preventivo unless and to the extent they waive their security, or the concordato preventivo provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the concordato preventivo (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the concordato preventivo is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the concordato preventivo if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the concordato preventivo than would otherwise be the case.

Italian Law Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least

10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre bankruptcy agreement proceedings (concordato preventivo) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (crediti chirografari) in case of pre bankruptcy agreement proposal with liquidation purpose (concordato liquidatorio), or (ii) 30% of the unsecured claims (crediti chirografari) in case of pre bankruptcy agreement proposals based on the continuation of the going concern (concordato con continuità aziendale).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre bankruptcy agreement proposal with liquidation purpose (concordato liquidatorio) (i.e. a pre bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre bankruptcy agreement proposals based on the continuation of the going concern (concordato con continuità aziendale).

To the extent the alternative plan is approved by the creditors and ratified (omologato), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163 bis of the Italian Bankruptcy Law, introduced by Italian Law Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre bankruptcy composition with creditors (concordato preventivo), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the concordato preventivo proposal by issuing a confirmation order.

If the creditors' meeting does not approve the concordato preventivo, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy (fallimento)

A request to declare a debtor company bankrupt and to commence bankruptcy proceedings (fallimento) and the judicial liquidation of the debtor company's assets can be filed by the debtor company itself, any of its creditors and, in certain cases, by the public prosecutor. Insolvency, as defined under the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (imprenditori commerciali) if any of the following thresholds are met: the company (i) has had assets (attivo patrimoniale) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenues (ricavi lordi) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million).

On the commencement of bankruptcy proceedings:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank pari passu with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (giudice delegato). After hearing the bankruptcy receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor company and the management of its assets pass from the debtor company to the bankruptcy receiver (curatore fallimentare);
- any act of the debtor company done after a declaration of bankruptcy (including payments made) is ineffective against the creditors;

- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court appointed bankruptcy receiver, a deputy judge (giudice delegato) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. The Italian Bankruptcy Law provides for a priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Such priority of payment is provided under mandatory provisions of Italian law (and, as a consequence, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

Bankruptcy Composition with Creditors (concordato fallimentare)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (stato passivo). Secured creditors are not entitled to vote on the proposal of concordato fallimentare, unless and to the extent they waive their security or the concordato fallimentare provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The concordato fallimentare proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Statutory Priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre deductible" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, inter alia, a claim whose priority is legally acquired (i.e., repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (creditori privilegiati; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (creditori ipotecari), pledgees (creditori prignoratizi) and unsecured creditors (crediti chirografari).

Avoidance Powers in Insolvency

Under Italian law, there are "clawback" or avoidance provisions that may lead to, inter alia, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defrauding creditors. Clawback rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law further distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect vis à vis the acting creditors within the Italian Civil Code ordinary clawback period of five years (revocatoria ordinaria). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Extraordinary Administration for Large Insolvent Companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the Prodi bis procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two thirds of its assets as shown in its financial statements and two thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

There are two main phases: a "judicial phase" and an "administrative phase".

Judicial Phase

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (commissiario giudiziale) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Productive Activities Minister (the "**Ministry**") may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

Administrative Phase

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). The plan may also include an arrangement with creditors (e.g., a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (concordato). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the Marzano procedure. It is complementary to the Prodi bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi bis procedure. For example, although a company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision of whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Interim financing

Italian Law Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain urgent interim financing necessary for their business needs before a court's approval of a Pre Bankruptcy Composition with Creditors (concordato preventivo) or the entry into a debt restructuring agreement (accordo di ristrutturazione dei debiti) with priority status (prededucibilità) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, inter alia, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of Italian Law Decree 83/2015, debtors could be granted financing with priority status (prededucibilità) before a court's approval of a Pre Bankruptcy Composition with Creditors (concordato preventivo) or the entry into a debt restructuring agreement (accordo di ristrutturazione dei debiti) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Certain Italian Law Considerations in Relation to Guarantees and Security Interests and Certain Other Additional Italian Legal Considerations

Maximum Guaranteed Amount

Under article 1938 of the Italian Civil Code, if a personal guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by WEPA Italia S. r. l. (the "**Italian Guarantor**" and, together with any future guarantor incorporated in Italy, the "**Italian Guarantors**") must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the Italian Guarantor. It has been held that such determination must be proportionate to the relevant guarantor's assets. If such determination is deemed disproportional to the assets of each of the Italian Guarantors, there is the risk that the guarantee could be declared void.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**"), whose exercise is exclusively reserved to banks and authorized financial intermediaries. Non compliance with the provisions of the Italian Banking Act may, inter alia, entail the relevant guarantees being considered null and void. In this respect, the Ministerial Decree No. 53 of April 2, 2015, implementing article 106, paragraph 3 of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Italian Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Corporate Benefit and Financial Assistance Issues under Italian Law

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its by laws (statuto sociale) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a security interest or a guarantee) must receive a real and adequate benefit in exchange for it. The concept of a "corporate benefit" is not specifically defined in the applicable legislation and is determined by a factual analysis on a case by case basis. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration.

An Italian company granting a guarantee or a security interest must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company.

As a general rule, absence of a real and adequate corporate benefit could render the transaction (including granting a security interest or a guarantee) ultra vires and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of the company if it is assessed that they did not act in the interest of it and that the acts they carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also lead to civil liabilities on those companies or persons ultimately exercising control over the Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the company.

The above principles on corporate benefit apply equally to upstream/crossstream/downstream security interest or guarantees granted by Italian companies.

In relation to security interests or guarantees, while corporate benefit for a downstream security or guarantee (i.e., a security or a guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) can usually be easily proved, the validity and effectiveness of an upstream or cross stream security or guarantee (i.e., a security interest or a guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

The concept of real and adequate benefit is not defined in the applicable legislation and is assessed and determined on a case by case basis, further its existence is purely a factual analysis made by the company's directors. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand alone basis, although in certain circumstances, and subject to specific strict rules, the interest of the group to which such company belongs may also be taken into consideration. Generally, the risk assumed by an Italian Guarantor or grantor of security must not be disproportionate to the direct or indirect economic benefit to it.

In order to comply with the above corporate law requirements, the maximum amount that each of the Italian Guarantors may be required to pay in respect of its obligations as Guarantor under the Conditions of Issue and the Guarantee Agreement to be entered into by such Guarantor shall be subject to additional limitations. In particular as regards to Italian Guarantors, such amount will never exceed, at any time, an amount equal to the sum of (i) the aggregate principal amount of the Senior Revolving Credit Facility advanced from time to time to the Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) as borrower under the Senior Revolving Credit Facility, notwithstanding any subsequent repayment, reduction or cancellation; and (ii) the aggregate principal amount of any intercompany loans (or other financial support in any form) advanced and/or made available from time to time to such Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer, or any borrower under the Senior Revolving Credit Facility, (whether directly or indirectly) as resulting from time to time from the latest financial statements (*bilancio di esercizio*) of the applicable Italian Guarantor duly approved by the shareholders meeting of such Italian Guarantor and/or any of its direct or indirect subsidiaries, as the case may be, notwithstanding any subsequent repayment, reduction or cancellation. It being understood that the obligations of an Italian Guarantor as Guarantor under the Conditions of Issue and/or the Guarantee Agreement to be entered into by such Guarantor shall not extend to any obligation incurred by the Issuer or any Guarantor, in full or in part, for the purpose of acquiring or subscribing the shares or quota of such Italian Guarantor or any of its direct or indirect controlling company (or refinancing any existing indebtedness incurred for such purposes), to the extent that such guarantee, obligation or liability would constitute unlawful financial assistance under applicable Italian laws.

In any event, pursuant to Article 1938 of the Italian Civil Code, the maximum amount that each of the Italian Guarantors may be required to pay in respect of its obligations as Guarantor under the Conditions of Issue and the Guarantee Agreement to be entered into by such Guarantor shall not exceed in aggregate an amount equal to 150% of the principal amount of the Notes and the Total Commitments under the Senior Revolving Credit Facility (or its equivalent in any other currency).

Financial Assistance

Save for specific exceptions, it is unlawful under Italian laws for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company, and any loan, guarantee or security given or granted in breach of these provisions is null and void. Financial assistance to refinance indebtedness incurred by a company to purchase or subscribe for its own shares or quotas or those of its direct or indirect parent company might also be considered as falling within the scope of Italian financial assistance provisions. In addition, directors may be personally liable for failure to act in the best interests of the company.

In the light of the above, WEPA Italia S.r.l. as Guarantor shall not undertake to guarantee financial indebtedness which was incurred, in full or in part, to purchase its quota and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect, as interpreted by Italian courts.

Certain Limitations on Enforcement

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "**suspect period**"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "*—Certain Italian Insolvency Laws"* above.

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a clawback action (azione revocatoria ordinaria) pursuant to article 2901 of the Italian civil code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit;
- that, in the case of non gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Furthermore, under fraudulent conveyance and other provisions of Italian law, a court could void or invalidate all or a portion of the obligations of a guarantor under the relevant guarantee and, if payment had already been made under that guarantee, require the recipients of that payment to return the payment to the relevant guarantor, if the court found that, inter alia:

(i) the relevant guarantor gave such guarantee with actual intent to hinder, delay or defraud its current or future creditors or with a desire to prefer some creditors over others, or when the beneficiary of the guarantee was aware that the relevant guarantor was insolvent when it gave the relevant guarantee;

(ii) the relevant guarantor did not receive fair consideration or reasonably equivalent value for its guarantee or the relevant guarantor was insolvent at the time the guarantee was given;

(iii) the relevant guarantee was held to exceed the corporate objects of the relevant guarantor or not to be in the best interest or for the corporate benefit of the relevant guarantor; or

(iv) the guarantor giving such guarantee was aware, or should have been aware, that the transaction was to the detriment of the creditors.

If a court decided either that a guarantee was a fraudulent conveyance and voided such guarantee, or held it unenforceable for any other reason, the beneficiary of the guarantee may cease to have any claim with respect to the relevant guarantor. The same would also apply to any security interest.

Trust and Parallel Debt

Under Italian law the beneficiary of a security interest must be clearly identified and indicated in the relevant security document. Due to the impossibility to clearly identify and keep track over time of the names of the individual holder of the Notes, Italian security documents are created in favor of a "trustee" of the Notes on behalf of the holders of the Notes and in favor of the Security Agent as representative of all secured creditors. It is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be 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; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee under security interests granted over Italian assets is uncertain under Italian law.

Given the above and considering that the holders of the Notes are not party to the Italian law governed security documents, there is a risk that an Italian court may determine that the holders of the Notes (in relation to which the relevant perfection formalities acknowledging their status as a secured creditor are not perfected at the time of enforcement) are not secured by the security interests created under the Italian law governed security documents and/or cannot enforce that security interest.

To address the above potential issue, the Notes Collateral will be granted and perfected in favor of the Trustee acting also in its capacity as legal representative (mandatario con rappresentanza) of the holders of the Notes.

The Intercreditor Agreement will provide for the creation of a "parallel debt". Pursuant to the parallel debt claim and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of the Notes, shall become the holder of a claim equal to each amount payable by an obligor under the Notes. However, investors should note that the enforceability of Italian law governed security interests granted in favor of the creditor of a parallel debt has not been tested before the Italian courts and, therefore, there is no certainty that the parallel debt will eliminate or mitigate the risk of unenforceability by the holders of the Notes of the collateral securing the Notes governed by Italian law.

POLAND

Overview

WEPA Professional Piechowice S.A. (the "**Polish Guarantor**"), being a Polish limited liability company (Polish: *spółka akcyjna, S.A.*) is incorporated and existing under the laws of Poland. Comments made below are relevant for the Polish limited liability company.

In the event of insolvency of the Polish Guarantor, insolvency proceedings may be initiated in Poland. Note, however, that if the center of main interest of the Polish Guarantor is situated in another European Union member state, the courts of that state shall have jurisdiction and the insolvency laws of that state shall apply pursuant to the Council Regulation (EC) No 1346/2000 of May 29, 2000 on insolvency proceedings (Official Journal No. L 160 of June 30, 2000).

If the centre of main interest of the Polish Guarantor is situated in Poland, the insolvency proceedings would be governed by the Bankruptcy Law (Polish: *Prawo Upadłościowe*) of February 28, 2003 (consolidated text: Journal of Laws of 2015, item 233, as amended) (the "**Bankruptcy Law**") and the Restructuring Law (Polish: *Prawo Restrukturyzacyjne*) of May 15, 2015 (Journal of Laws of 2015, item 978, as amended) (the "**Restructuring Law**").

Note that the insolvency laws of Poland may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain interest after the commencement of insolvency proceedings and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the Notes and the Guarantees to an extent exceeding the limitations arising under other insolvency laws.

Insolvent debtor

Bankruptcy proceedings under Polish law may be initiated against insolvent debtors. The debtor will be deemed insolvent if it loses the ability to settle its due and payable financial liabilities (which will be presumed to be the case if the delay in payment exceeds three months).

Under the balance sheet test (for a debtor being a legal person, e.g. joint-stock company), the debtor will be deemed insolvent if according to its balance sheet, its financial obligations (except for future liabilities, including liabilities subject to a suspensory condition, and shareholder loans or other legal act having the similar effects) exceed the value of their assets and this status continues for longer than twenty four months. Note that even if the above conditions are met, the court may reject a bankruptcy petition, provided that there is no threat to the debtor's ability to perform its due and payable obligations in a short term.

Bankruptcy petition

Bankruptcy proceedings are initiated upon submitting a bankruptcy petition. Such a petition may be submitted by either the debtor or its personal creditors.

According to the Bankruptcy Law, the catalogue of persons authorised and obliged to submit a bankruptcy petition to the court has been determined, *inter alia*, as all persons who on the basis of the law, articles of association/statute of the company have the right to conduct the company's affairs and to represent it. The deadline for submitting the bankruptcy petition is thirty days from the date on which the reason for bankruptcy occurred.

Note that persons obliged to submit the bankruptcy petition may be held liable for damages resulting from a delay in submitting the petition to the court.

The court is obliged to refuse to initiate bankruptcy proceedings if the debtor's assets are insufficient to cover the cost of the proceedings or, additionally, if the debtor's assets are sufficient to cover only the cost of the proceedings. The court may also reject the petition to declare bankruptcy if the debtor's assets are encumbered with a mortgage, pledge, registered pledge, treasury pledge or maritime mortgage to such a degree that the debtor's remaining assets are not sufficient to cover the cost of the proceedings. The procedural requirements for submitting bankruptcy petition are very formal.

Note that debtor may not be declared bankrupt during a period from the opening of restructuring proceedings (Polish: *postępowanie restrukturyzacyjne*) until their completion or valid discontinuance.

Safeguard procedure before the bankruptcy proceedings

Upon receiving a bankruptcy petition, the court can secure the debtor's assets. The court may secure the debtor's assets, *inter alia*, through the appointment of an interim court supervisor (Polish: *tymczasowy nadzorca sądowy*) or an administrator (Polish: *zarządca*), and suspend the execution proceedings against the debtor and additionally, the court may revoke seizure of a bank account.

Bankruptcy proceedings

Pursuant to the Bankruptcy Law, there is only one uniform bankruptcy proceedings, i.e. liquidation bankruptcy proceedings.

Upon acceptance of the bankruptcy petition, the court decides whether to initiate the bankruptcy proceedings. This decision shall be made within two months of submitting the bankruptcy petition, however this deadline has only instructive character.

The date of the bankruptcy is the date on which the bankruptcy order is issued by the court.

Creditors have the right to submit their claims within the time limit indicated in the bankruptcy order (within thirty days); claims may be submitted also after the lapse of the set deadline, however, all actions undertaken in the bankruptcy proceedings until that date are valid towards the creditor. If a claim is not included in the list prepared by a court receiver, court supervisor or the administrator, the creditor has the right to appeal. The procedural requirements for submitting claims are very formal.

Prepared liquidation (so-called "pre-pack")

The Bankruptcy law provides for an institution called prepared liquidation (Polish: *przygotowana likwidacja*), also called "pre-pack".

In the pre-pack procedure, the bankruptcy petition may be accompanied by an application for approval of the terms of sale of a debtor's enterprise, or its organized part or assests representing a major part of its enterprise. Nevertheless, it may not include assets secured with registered pledge if the registered pledge agreement provides for forclosure of the assets or their sale to satisfy the pledgee's claims (unless a pledgee gives its consent).

Such application for approval of terms of sale must specify at least the sale price and potential purchaser, and be accompanied by a valuation report prepared by a certified court expert.

It will be possible to request that the debtor's enterprise be handed over to the purchaser on the bankruptcy declaration day, in which case the full price will have to be paid in advance to the court's deposit account. Note that the sale to an affiliated company of the debtor is permissible only at a price not lower than the price indicated in the valuation report.

The court will be obliged to accept the application if the offered price is higher than the estimated liquidation proceeds that could be raised in "standard" bankruptcy proceedings, less the estimated costs of the proceedings. If the offered price is lower than (but still close to) the estimated net liquidation proceeds, the court will still be in a position to approve the sale if it is supported by an "important social interest" or if it allows the distressed enterprise to be preserved.

Each creditor will be entitled to appeal against the court's decision approving a pre-packed sale within a week of its publication (whereas only the petitioner may appeal against a negative decision).

Liquidation bankruptcy

As a rule, upon the court declaring liquidation bankruptcy, the debtor loses its right to manage its assets and a bankruptcy receiver (Polish: *syndyk masy upadłości*) is appointed. The financial liabilities of the debtor that have not yet become due and payable, become due and payable on the day the bankruptcy order is issued. The debtor's assets become the bankruptcy estate to be used to settle the debtor's creditors and the bankruptcy estate is managed by a bankruptcy receiver appointed by the court. Consent of the creditors' committee (Polish: *zgromadzenie wierzycieli*) or the bankruptcy receiver responsible for administering the bankruptcy is required for specified decisions made in relation to the matters most central to the bankruptcy process.

As a rule, the preferred type of liquidation under the Bankruptcy Law is the sale of the bankrupt's business as a whole.

Ineffectiveness of some legal acts with respect to the bankruptcy estate

Following the declaration of bankruptcy, the bankrupt's assets become the bankruptcy estate, which serves to satisfy the claims of the bankrupt's creditors. The bankruptcy estate covers the assets belonging to the insolvent debtor on the date of the bankruptcy or acquired by it during the bankruptcy proceedings. Bankruptcy Law lists assets that are excluded from the bankruptcy estate by virtue of law, while other assets of the debtor can be excluded from the bankruptcy estate by a resolution of the creditors' committee or throught the proceedings reviewed by the judge-commissioner (Polish: sędzia-komisarz).

Under the Bankruptcy Law, contractual provisions which provide for a change or termination of a legal relationship, to which the bankrupt is a party to, due to the declaration of bankruptcy and also in the case of filling a petition for bankruptcy, are null and void. Furthermore, contractual provisions, which make it impossible or difficult to achieve the objective of the bankruptcy proceedings, are ineffective towards the bankruptcy estate.

Legal transactions are ineffective towards the bankruptcy estate if concluded by the bankrupt within one year preceding the day, on which the bankruptcy petition was submitted and resulting in the bankrupt disposing of its assets: (i) without any reciprocal consideration for the bankrupt or (ii) against a consideration for the bankrupt or a third party, which value is grossly lower than the value of the bankrupt's performance.

Also ineffective towards the bankruptcy estate is the granting of collateral for an undue debt and the payment of such debt effected by the insolvent debtor in six months preceding the day, on which the bankruptcy petition was submitted. The beneficiaries of such actions may, however, aim to have these transactions considered effective, if they have not been aware of grounds for the declaration of bankruptcy while receiving payment or being granted the collateral.

Moreover, the judge-commissioner (Polish: sędzia-komisarz) will be entitled to delare non gratuitous legal transactions concluded by an insolvent legal person with its shareholders, representatives (including their spouses), as well as affiliated companies, their shareholders or representatives (including their spouses) ineffective (ex officio or upon a motion), unless the party to such legal transaction demonstrates that it was not to the creditors' detriment.

In addition, a transfer of future receivable will be ineffective if such receivable arises after the declaration of bankruptcy, unless the agreement on the transfer of receivable was concluded in writing with a certified date (Polish: forma pisemna z datą pewną) at least six months before the day on which the bankruptcy petition was submitted.

Mortgages, pledges, registered pledges or maritime mortgages established by the bankrupt within one year preceding the day on which the bankruptcy petition was submitted may be challenged in one of the following situations: (i) the bankrupt was not the personal debtor of the creditor (e.g. if the debtor was a guarantor) and the bankrupt did not receive any consideration in connection with such security, (ii) the consideration received was substantially lower than the value of the security, or (iii) the security interests was established for the benefit of its shareholders, representatives (including their spouses), as well as affiliated companies, their shareholders or representatives (including their spouses), regardless of the value of a performance received by the bankrupt. The judge commissioner is competent to decide on the ineffectiveness in this case, acting upon a motion of the bankruptcy receiver.

Pursuant to the Bankruptcy Law, the judge-commissioner, will be authorised to deem ineffective towards the bankruptcy estate any contractual penalty (reserved for non-performance or improper performance of obligations) if the obligation was already perfomed to a large extent or the contractual penalty is excessive.

The transfer of the ownership title to a thing, claim or other right to the creditor (Polish: przewłaszczenie na zabezpieczenie) is effective towards the bankruptcy estate if such agreement has been made in writing with certified date.

As of the date of the declaration of bankruptcy a credit contract shall expire if by this date the credit-grantor did not put the funds at the disposal of the bankrupt. The lender may seek relief in the bankruptcy proceedings. Where a part of funds was placed at the bankrupt's disposal before the date of the declaration of bankruptcy, the bankrupt's right to claim the payment of the outstanding portion shall be forfeited.

The declaration of bankruptcy shall have no effect on the bankrupt's contracts of bank account.

Other selected consequences of bankruptcy

After the declaration of bankruptcy, the bankruptcy estate, as a general rule, cannot be encumbered with a mortgage, pledge, registered pledge, treasury pledge or a maritime mortgage in order to secure a liability incurred before the declaration of bankruptcy. Additionally, it is forbidden to encumber the bankcruptcy estate with a compulsory mortgage or a treasury pledge in order to secure a liability that arises after the declaration of bankruptcy.

Initiating bankruptcy proceedings affects current court or administrative proceedings and debt collection proceedings. After issuance of the bankruptcy order, the courts in civil law cases are obliged, ex officio, to suspend court proceedings if the proceedings are related to the bankruptcy estate and (i) an administrator has been appointed (in arrangement bankruptcy proceedings), or (ii) a bankruptcy receiver has been appointed (in liquidation bankruptcy proceedings). In such cases, the court requests the bankruptcy receiver or administrator to enter the proceedings.

Satisfaction of claims in liquidation bankruptcy proceedings

In the case of liquidation bankruptcy, settling the creditors' claims is usually only possible upon the registration of the claims by the bankruptcy receiver. The claims are satisfied according to certain priorities.

Please note the costs of bankruptcy proceedings are covered by separate legal provision, which sets out that costs of bankruptcy proceedings shall be satisfied on an on-going basis during the process of liquidation, before first category and other claims will be satisfied only if the costs of the bankruptcy proceedings are settled.

Unsecured creditors' claims are settled in the following order (as far as a legal person is concerned):

- first category—i.a. claims arising out of an employment relationship falling due and payable before the bankruptcy was declared, with certain exceptions, certain contributions to the social security insurance system, certain claims which arise during restructuring proceedings, claims arising from credit, loans, bonds, guarantees or letters of credit or other financing arrangement provided in the approved restructuring proceedings and granted in connection with the performance of such arrangement (if the bankruptcy was declared as a recognition of a bankruptcy petition submitted not later than three months after the final repeal of such restructuring arrangement).

- second category—i.a. claims payable to private creditors as well as tax liabilities, other public levies and contributions to the social security insurance system.
- third category—subordinated interest on claims included in the senior categories in the order, in which they are paid on the capital, as well as judicial and administrative fines and claims arising under donations and legacies.
- fourth category—shareholders' claims arising from loan agreements as well as other legal transactions with similar effects, which were executed within five years before the bankruptcy announcement was made (with some exceptions such as loans granted within the frame of the restructuring proceedings or loans granted by the shareholders), shareholders under this category will be also entitled to interests on described transactions.

Settling claims from one of these categories is only possible after fully settling claims of the creditors from a more senior category. If settling all debts included in the same category is not possible due to lack of assets, the debts should be settled proportionally.

The liquidation of the bankruptcy estate is performed by selling the bankrupt's enterprise as a whole or by organized parts, by selling all immovable and movable property, by enforcing claims against the debtors of the bankrupt, and by exercising other proprietary rights included in the bankruptcy estate or by alienation thereof.

The Bankruptcy Law distinguishes between three types of sale (i.e at an arms length basis, at an auction or at a tender) and the sale (transfer) of receivables is explicitly permissible under it. As stated above, as a rule, the bankrupt's enterprise should be sold as a whole.

Monies obtained from the liquidation of assets, liabilities and rights encumbered with a mortgage, a pledge or security transfer of title are allocated to settle creditors' claims that are secured by such assets, liabilities or rights (subject to certain exceptions). Monies remaining after settling those creditors' claims are included in the bankruptcy estate and satisfied in accordance with categories of claims specified above.

The proceedings will be closed by the court once all the monies are distributed. The court shall also close the insolvency proceeding in the event of lack of assets or inability to fully settle the creditors' claims. In some cases, liquidation may be avoided through arrangement with creditors and the company can continue to operate.

Interest due in the bankruptcy proceedings

Under Bankruptcy Law, any debt payable in a currency other than Polish zloty (such as euro), if being put on the list of debts, must be converted into Polish zloty at the National Bank of Poland's average exchange rate for the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not). Nevertheless, an inclusion of a debt payable in currency other than Polish zloty in the list of bankruptcy claims will not result in conversion of such claim into Polish zloty. But in the implementation of the distribution plan the claim shall be satisfied in the Polish zloty.

Furthermore, in case of unsecured claims, interest is satisfied from the assets of the bankruptcy estate only for the time period until the date the bankruptcy is declared.

Restructuring proceedings

In order to enable insolvent or threatened with insolvency debtors to recover their ability to overcome financial difficulties, rather than declare bankruptcy, four types of restructuring proceedings are introduced by the Restructuring Law:

- proceedings for approval of an arrangement (Polish: postępowanie o zatwierdzenie układu),
- accelerated arrangement proceedings (Polish: przyspieszone postępowanie układowe),
- arrangement proceedings (Polish: postępowanie układowe),
- remedial proceedings (Polish: postępowanie sanacyjne).

The above proceedings are aimed at the debtor concluding an arrangement with its creditors (including partial arrangements), which will enable the debtor to satisfy the creditors' claims and operate further. The difference in the said proceedings is in the scope of the debtor's rights to manage its assets, and the scope of the debtors' protection against the creditors. The arrangement proposals, which determine the method of restructuring the debtor, in principle, are submitted by the debtor. However, subject to certain exceptions, they may be also submitted by the board of creditors (Polish: rada wierzycieli), the court supervisor (Polish: nadzorca sądowy), the administrator (Polish: zarządca) or a creditor/creditors who hold thirty per cent of the total sum of claims (some creditors may be excluded).

The creditors may vote in single or separate groups. If creditors vote in a single group, the arrangement will be concluded if it is accepted by the majority of voting creditors who hold in aggregate at least two thirds of the total sum of claims held by the voting creditors (except for the proceedings for approval of an arrangement, where the debtor collects the votes in writing itself and the required majority is measured by reference to the total amount of claims held by creditors entitled to vote and not by reference to the amount of claims held by voting creditors).

The creditors may be split into separate groups (classes) based on the criteria of "common category of interests". In such case, the arrangement will be concluded if it is accepted in each group by a majority of voting creditors in the group whose claims amount to (in aggregate) at least two thirds of the total sum of claims held by the voting group members (with respective modification of calculating the majority in case of proceedings for approval of an arrangement described above). But even if there is no required majority in one or more of the groups of creditors, the arrangement will still be deemed concluded if: (i) the creditors representing in aggregate at least two thirds of the total sum of claims held by the voting creditors have voted in favour of the arrangement (with respective modification of calculating the majority in case of proceedings for approval of an arrangement described above), and (ii) the creditors from the dissenting group/groups would be satisfied through the arrangement to an extent which is not less favourable than in the case of liquidation of the debtor.

An arrangement accepted by the required majority of creditors is subject to an approval by the court. The court will reject the arrangement if: (i) it violates the law or (ii) it is obvious that the arrangement will not be performed. The court will also be entitled to reject the arrangement if it is obviously detrimental to creditors who voted against it and raised objections. The accepted arrangement is binding on all creditors, whose receivables are, under the law, covered by the arrangement, which may include claims not specified on the creditor's list.

In case of conflicting petitions for bankruptcy and for restructuring, the court will withhold the bankruptcy petition and the restructuring petition will be considered first (if the restructuring petition is accepted, it will not be possible to declare bankruptcy as long as restructuring proceedings are pending). Exceptionally, if the withholding of the bankruptcy petition should be contrary to the interest of all creditors, the bankruptcy court may decide to consider both petitions at the same time.

Information on bankruptcy restructuring proceedings will be disclosed in the Central Register of Restructurings and Bancruptcies (Polish: Centralny Rejestr Restrukturyzacji i Upadłości) as of February 1, 2018.

As a general rule, the arrangement will cover all personal claims against the debtor originated prior to the commencement of the restructuring proceedings (the day of issuing a court's decision on the opening of accelerated arrangement proceedings, arrangement proceedings and/or remedial proceedings further referred to as "**commencement date**", in case of proceedings for approval of an arrangement the consequences of commencing the restructuring proceedings take effect from the arrangement day), together with interest accruing from the commencement date, as well as conditional claims, if the condition fulfils when the arrangement is being performed. It will relate both to financial and non-financial claims (except for inter alia certain social insurance contributions, claims under employment agreements or claims for the handover of property). If a creditor objects to the restructuring of its non-financial claim (or if due the nature of a non-financial claim, it is not possible to restructure it), the relevant claim will be converted to a financial one (with effect from the commencement date). In addition, claims under executory agreements (Polish: umowy wzajemne) will be covered by the arrangement only if: (i) the counterparty's performance is divisible and (ii) only to the extent that the counterparty has performed the agreement prior to the commencement date of the restructuring proceedings and has not received a consideration (counterperformance) from the debtor.

"Partial" arrangements

A significant novelty permitted only in arrangement approval proceedings and accelerated arrangement proceedings, is that the debtor may enter into a "partial" arrangement (Polish: układ częściowy) only with selected classes of creditors (e.g. secured creditors or significant suppliers). It should allow the debtor to reach an arrangement in a faster and more discreet way. However, the selection of creditors for that purpose must be compliant with statutory tests (i.e. it must be based on objective, unambiguous and economically justified criteria) and must not be only aimed at eliminating dissenting creditors from relevant voting classes.

Impact of restructuring proceedings on certain agreements

Contractual provisions, according to which termination or modification of legal relationship is triggered by submitting a petition for the commencement of restructuring proceedings or commencement of such proceedings will be void by virtue of law. Also, the terms of agreements with the debtor to be restructured which make it impossible or difficult to achieve the purposes of restructuring proceedings (except for arrangement approval proceedings), will be ineffective against the debtor's estate.

In principle, upon the commencement of restructuring proceedings (other than arrangement approval proceedings), it will be prohibited to terminate certain agreements which constitute source of incomes for the debtor, such as tenancy or lease agreements relating to the premises in which the debtor's enterprise is operated (unless the board of creditors agrees otherwise), property insurances, facility agreements (but only in relation to funds made available to the debtor before the commencement date), leasing agreements, bank account agreements, suretyships, licences granted to the debtor, guarantees and letters of credit issued before the commencement date.

Preservation of security interests in restructuring proceedings

As a rule, it will not be possible to establish new security interests to secure a claim not covered by the arrangement (unless the board of creditors agrees otherwise) once the restructuring proceedings have commenced. However, if an application to register a mortgage, pledge, registered pledge, treasury pledge or maritime mortgage is filed more than six months before submitting a petition to commence restructuring proceedings, the mortgage or pledge will be registered (in accelerated arrangement and remedial proceedings).

Also, according to a general rule, in rem security interests (e.g. mortgage, pledge, registered pledge, security assignment) securing a claim not covered by the arrangement survive the restructuring proceedings and the claims secured by any of such security interests are not affected by the arrangement. Hence, the arrangement will cover secured claims to the extent such claims are not covered by the value of collateral, or the relevant secured creditors agree to be covered by the arrangement. Secured creditors who give their consent to the arrangement may be assigned to a separate group (class) of creditors and be afforded different treatment in the arrangements from the one of unsecured creditors.

In relation to partial arrangements, the proposed arrangement should offer the relevant secured creditor full satisfaction (on a date specified in the arrangement) or satisfaction in part, but to the extent not lower than the one, which is expected in the case of enforcement of security interest, the relevant secured claim will be covered by the arrangement irrespective of the creditor's consent.

Proceedings for approval of an arrangement

These proceedings are available if the sum of disputed claims does not exceed fifteen per cent of the total claims held by creditors entitled to vote. Although, the debtor continues to manage its assets, it is required to appoint a licensed supervisor (nadzorca układu), who will: (i) prepare a restructuring plan, (ii) cooperate with the debtor in preparing the arrangement proposals, (iii) prepare a list of claims and a list of disputed claims, (iv) assist the debtor in collecting the votes of creditors in favour of the arrangement, and (v) prepare a feasibility assessment of the arrangement in a form of a report.

The debtor determines an arrangement day (Polish: dzień układowy). Claims arising after the arrangementday are not subject to the arrangement. The debtor presents a restructuring plan to its creditors and collects their votes on the arrangement. Once the approving votes of the required regulatory majority has been obtained, the debtor files a petition with the court (within three months from giving the votes) in order to accept and approve the arrangement. The debtor also submitts to the court a report with a feasibility assessment of the arrangement. The court issues a decision whether to accept and approve the arrangement within fourteen days from submitting the petition. From the date of issuing the decision, a licensed supervisor (Polish: nadzorca układu) obtains the rights of a court supervisor (Polish: nadzorca sądowy) and is obliged to supervise the proper performance of the approved arrangement.

Accelerated arrangement proceedings

These proceedings are available if the sum of disputed claims also does not exceed fifteen per cent of the total claims held by creditors entitled to vote. It may be used, in particular, if there is a large number of creditors and the debtor is unable to collect their votes on the arrangement by itself.

The debtor prepares and submits a petition for the acceptance and approval of the arrangement together with a statement that information included therein is true and complete. The court issues a decision whether to accept and approve the arrangement within one week from submitting the petition and appoints a court supervisor (Polish: nadzorca sądowy), who will supervise the debtor's management of its assets, as well as a judge-commissioner (Polish: sędzia-komisarz), who will manage the restructuring proceedings, supervise the activity of the court supervisor and—if applicable—the administrator (Polish: zarządca). If the court refuses to commence accelerated arrangement proceedings, the debtor may lodge a complaint against it. The creditors, in turn, may lodge a complaint against the commencement of the accelerated arrangement proceedings.

Once the accelerated arrangement proceedings are commenced, the court supervisor prepares and submits to the judge-commissioner a restructuring plan, a list of claims and a list of disputed claims. Subsequently, the judge-commissioner sets the date of the creditors' meeting for the purpose of voting on the arrangement and informs of that date the creditors, who are on the list of claims.

The debtor continues to manage its assets under the supervision of the court supervisor (optionally the court may appoint an administrator (Polish: zarządca) to take over the management of the arrangement estate). The court may revoke the debtor's management of assets and establish an administrator if: (i) the debtor does not comply with the judge-commissioner's or the court supervisor's directions, (ii) its management does not guarantee the performance of the arrangement or if a trustee (Polish: kurator) has been appointed for the debtor or (iii) the debtor's management does not comply with law to the detriment (actual or potential) of the creditors.

In addition, once the accelerated arrangement proceedings are commenced, inter alia: (i) the estate which enables the debtor to operate and the debtor's estate become the arrangement estate (Polish: masa układowa), (ii) the debtor provides the judge-commissioner and the court supervisor with information and documents concerning the debtor, (iii) execution proceedings relating to claims covered by the arrangement are suspended by virtue of law, (iv) the debtor/administrator may not settle performances from the claims, which are covered by the arrangement when the proceedings are pending (to some extend this rule does not apply to contractual compensation clauses (Polish: klauzula kompensacyjna).

Arrangement proceedings

These proceedings are available only for the debtors, whose disputed claims exceed fifteen per cent of the total claims held by creditors entitled to vote and, as a result, both types of previous proceedings cannot be initiated.

The debtor prepares and submits a petition for the acceptance and approval of the arrangement without attaching the arrangement proposals. The debtor needs to demonstrate in the petition the probability of settling by the debtor the costs of the proceedings and fulfilling liabilities which will arise after the commencement of arrangement proceedings. In principle, the court issues a decision whether to accept and approve the arrangement within two weeks from submitting the petition (this period may be extended to six weeks, if it is necessary to conduct a trial).

The court also appoints a court supervisor (Polish: nadzorca sądowy), who will supervise the debtor's management of its assets and a judge-commissioner (Polish: sędzia-komisarz), who will manage the restructuring proceedings and supervise the activities of the court supervisor and, if applicable, the administrator (Polish: zarządca).

The court may: (i) secure the debtor's assets through the appointment of an interim court supervisor (Polish: tymczasowy nadzorca sądowy) for the period between the filing of the petition and the commencement of the proceedings, (ii) suspend pending enforcement proceedings conducted in order to enforce claims covered with the arrangement and (iii) revoke the seizure of the debtor's bank account—at the request of the debtor or the interim court supervisor. The debtor or the creditor who is in the course of conducting the enforcement may lodge a complaint against the court's decision to suspend pending enforcement proceedings and to revoke the seizure of the debtor's bank account. If the court decides to revoke the seizure of the debtor's bank account, it needs to appoint an interim court supervisor, who will give consent to the debtor's dispositions regarding the sums maintained on this bank account.

Within thirty days from the commencement of the arrangement proceedings, the court supervisor: (i) prepares and submits to the judge-commissioner a restructuring plan and a list of claims, (ii) determines the composition of the arrangement estate (Polish: masa układowa) by preparing a specification of inventory (Polish: spis inwentarza) together with an estimation of the arrangement estate. Upon the receipt of the restructuring plan and the list of claims, the judge-commissioner sets the date of the creditors' meeting for the purpose of voting on the arrangement and informs the creditors of that date.

The debtor continues to manage its assets under the supervision of the court supervisor (optionally the court may appoint an administrator (Polish: zarządca) to take over the management of the arrangement estate). The court may revoke the debtor's management if: (i) the debtor does not comply with the judge-commissioner's directions, (ii) its management does not guarantee the performance of the arrangement or (iii) its management does not comply with the law to the detriment (actual or potential) of the creditors.

In addition, once the arrangement proceedings are commenced, inter alia: (i) execution proceedings relating to claims covered by the arrangement are suspended by virtue of law, (ii) the creditors may inititate judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts (Polish: sądy polubowne) regarding satisfaction of claims disclosed in the specification of inventory, (iii) the court supervisor acceds to pending judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts regarding the arrangement estate.

Remedial proceedings

This type of proceedings is available only for insolvent debtors and provides for the broadest scope of restructuring activities and protection against creditors. Unlike other types of restructuring proceedings, it may be also initiated by the debtor's personal creditor (Polish: wierzyciel osobisty) or a trustee (Polish: kurator).

The debtor prepares and submits a petition for commencing remedial proceedings. The debtor needs to demonstrate in the petition the probability of settling by the debtor the costs of the proceedings and fulfilling liabilities which will arise after the commencement of remedial proceedings. The court may secure the debtor's assets through the appointment of an interim court supervisor (Polish: tymczasowy nadzorca sądowy) or an interim administrator (Polish: tymczasowy zarządca) for the period between the filing of the petition and the commencement of the proceedings. In principle, the court issues a decision whether to commence remedial proceedings within two weeks from submitting the petition (this period may be extended to six weeks, if it is necessary to conduct a trial). The court appoints a judge-commissioner (Polish: sędzia-komisarz), who will manage the proceedings and supervise the activities of the administrator (Polish: zarządca). The appointment of an administrator to manage the debtor's estate (remedial estate) is mandatory, unless the debtor's involvement is necessary to conduct successful restructuring and the debtor guarantees proper management (in which case the court may agree to the debtor's retaining management over the whole or a part of the business).

Once the court issues the decision on the commencement of remedial proceedings, the debtor is obliged to pass the whole estate and documents related thereto to the administrator (unless the debtor has been given the right to manage its assets), and provide the judge-commissioner and the administrator with all necessary or required information. Subsequently the administrator, in cooperation with the debtor, submits a restructuring plan to the judge-commissioner within thirty days from the commencement of the proceedings (this period may be extended to three months), who accepts and approves the restructuring plan upon obtaining, the opinion of the board of creditors (Polish: rada wierzycieli). After obtaining the approval, the administrator performs this plan.

In addition, once the remedial proceedings are commenced, inter alia: (i) commercial power of attorney (Polish: prokura) and other powers of attorney granted by the debtor expire by virtue of law (in the course of remedial proceedings new commercial power of attorney or powers of attorney may be granted by the administrator), (ii) the administrator is granted the right to "cherry-pick" executory contracts (Polish: umowy wzajemne) which have not been performed in full or in part prior to the commencement date, subject to the judge-commissioner's consent, (iii) the estate which enables the debtor to operate and the debtor's estate becomes the remedial estate (Polish: masa sanacyjna), whose components are determined by the administrator by means of preparing a specification of inventory (Polish: spis inwentarza) together with an estimation of the remedial estate (Polish: ustalenie składu masy sanacyjnej), within thirty days from the commencement of the proceedings, (iv) it is possible to adjust the employment level to the needs of the reorganised undertaking, (v) opened inheritance to which the debtor is appointed, is included in the remedial estate, (vi) pending execution proceedings relating to remedial estate are suspended by virtue of law, (vii) the creditors may inititate judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts (Polish: sądy polubowne) which regard satisfaction of claims disclosed in the specification of inventory, (viii) judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts regarding the remedial estate may be initiated by or conducted against the administrator, in such case the administrator acts in his/her own name but on behalf of the debtor, (ix) at the request of the debtor, the judge-commissioner may revoke the seizure of elemets included in the remedial estate in the course of enforcement or proceedings aimed at securing claims (Polish: postępowanie zabezpieczające), if such elements are necessary for the debtor to operate.

Also, certain legal transactions are ineffective towards the remedial estate once the remedial proceedings are commenced. These are: (i) transactions by means of which the debtor has disposed of its assets, if they were concluded by the debtor within one year preceding the day, on which the petition on commencement of the remedial proceedings was submitted and the value of the debtor's performance (Polish: świadczenie) significantly exceeds the value of the performance received by or reserved for the debtor, (ii) security interests, which have been established by the debtor within one year preceding the day, on which the petition on commencement of the remedial proceedings was submitted, not directly in connection with receiving a performance by the debtor (iii) security interests, which have been established by the debtor within one year preceding the day, on which the petition on commencement of the remedial proceedings was submitted in the part such security interests exceed the value of secured performance received by or reserved for the debtor together with claims for anciliary claims on the day of establishing such security interests. The above rules also apply to guarantees and surietyships (Polish: poręczenia).

Limitations on validity and enforceability of the Guarantees and the security interests

Comments made below are relevant for the Polish Guarantor, being the Polish joint-stock company.

Governing law and enforceability

In the event of subjecting the Polish Guarantor's Guarantees and Collateral to the laws of Germany in a dispute before a Polish court, only substantive laws of Germany will be applied while the laws of procedure will be governed by Polish law. Furthermore, as a rule, a Polish courts can refuse to apply or execute foreign legal provisions, if the application of such provisions results in the contravention of peremptory rules of Polish public policy, or if specific law has to be applied regardless of the choice of law (i.e., should any rights in rem be involved, they will be subject to the laws of the country in which the subject of these rights is located).

As a general rule, the decisions of Polish courts become final and non appealable after execution of appropriate remedy path or after the expiry of the statutory term to file a remedy, subject to applicability of extraordinary legal remedies if available.

The decisions issued by foreign courts, as the general rule, become enforceable in Poland after establishing their enforceability by the Polish court. The Polish court may refuse to declare the enforceability of the decision of the foreign court, inter alia, if the decision is in contravention of peremptory rules of Polish public policy.

As a general rule, the decisions of the courts of other EU member states do not need to be declared enforceable by the Polish courts, prior to their enforcement in Poland. Enforceability of these decisions may be challenged, however, in a separate proceedings before the Polish court.

As a general rule, decisions of the Polish courts (including on issuance of enforceability clause) and appropriate actions of enforcement officers with whom the enforcement of claims is sought may be, depending on the circumstances, required for the enforcement of the given security interest.

Insolvency as a result of an excess of obligations over the value of the company's assets

Obligations of the Polish Guarantor under the Notes and the Guarantees and Collateral are subject to limitations resulting from the application of provisions on Polish insolvency law.

Please note that under the Bankruptcy Law, as mentioned above, the balance sheet test applies to companies including a joint-stock company. Such entities may be deemed insolvent if their financial obligations exceed the value of their assets and this status continues for longer than twenty four months (except for future liabilities, including liabilities subject to a suspensory condition, and shareholder loans or other legal act having the similar effects). Nevertheless, even if the above conditions are met, the court may reject a bankruptcy petition, provided that there will be no threat to the debtor's ability to perform its due and payable obligations in a short term.

Actio Pauliana

Polish civil law, the Act of 23 April 1964 Civil Code (Journal of Laws of 2016, item 380, as amended) (the "Civil Code"), provides a basis for declaring some actions done to the detriment of creditors ineffective (so-called "actio Pauliana"). In general, if as a result of a legal act performed by a debtor to the detriment of creditors, a third party gains a financial benefit, each of the creditors may demand that the said act be declared ineffective with respect to him, if the debtor acted knowingly to the creditors' detriment, and the third party knew or, having used due care, could have learned of it. This provision applies accordingly if the debtor acts with an intention to harm future creditors. It is assumed that the debtor's legal act is performed to the creditors' detriment if, as a result of such act, the debtor becomes insolvent or becomes insolvent to a greater degree than he was before performing the act. Civil Code establishes few regulations where it shall be presumed that debtor acted deliberately to the detriment of the creditors. The application to the court with respect to "actio Pauliana" can be filed within five years from the date of the act.

Interests limitation

Pursuant to Article 359 § 21 in conjunction with § 2 of the Civil Code, the maximum interest resulting from the legal act, i.e. so-called "capital interest" (Polish: odsetki kapitałowe) cannot per annum exceed double statutory interest (i.e. double of the sum of: (i) the reference rate published by the National Bank of Poland and (ii) 3.5 percentage points).

In addition, according to the Article 481 § 21 in conjunction with § 2 of the Civil Code, the maximum interest resulting from a delay (Polish: odsetki za opóźnienie) cannot per annum exceed double statutory interest for delay (i.e. double of the sum of: (i) the reference rate published by the National Bank of Poland and (ii) 5.5 percentage points).

Should the value of interest exceed the value of relevant maximum interest, then relevant maximum interest is due. Contractual provisions cannot exclude or limit the provisions on maximum interest. The above mentioned specific provision of Polish law will be applied by a Polish court irrespective of the fact that the parties have chosen foreign law to govern the transaction (overriding mandatory provisions).

Clearance from the President of the Polish Office for Protection of Competition and Consumers in order to execute some rights over shares

An exercise of voting rights in the Polish Guarantor by the holder of the relevant security under a power of attorney may be recognized as change of control pursuant to the Act on Protection of Competition and Consumers of February 16, 2007 (consolidated text: Journal of Laws of 2015, item 184, as amended) (the "**Competition Law**"). There is an exception from notifying an intention of concentration to the President of the Polish Office for Protection of Competition and Consumers, when the entity acquires or takes over, on a temporary basis, stocks and shares with a view to securing debts, provided that such entity does not exercise the rights arising from these stocks or shares, except for the right to sell.

The holder of such security may be obliged to notify the President of the Polish Office for Protection of Competition and Consumers about its intention to exercise its voting rights and to obtain an antimonopoly clearance to exercise such voting rights. The enforcement of a registered pledge through the appropriation of the shares by the Security Agent may be recognized as a notifiable merger under the Competition Law. Therefore, the holder of the relevant security interest may be required to notify the President of the Polish Office for Protection of Competition and Consumers about its intention to take over the shares. Further, it may be required to obtain an antimonopoly clearance to take over the shares.

Perfection requirements

Generally, under Polish law, for a valid and effective establishment of security interests certain perfection requirements need to be fulfilled, including the requirements specified below.

The civil, registered and financial pledges over the shares in the Polish Guarantor may be validly established only after fulfilment of the certain perfection requirements including the following: (i) the proper registered pledge agreement must be executed, the registered pledge must be registered in the register of pledges maintained by the competent court and will become effective vis à vis the Polish Guarantor once it is notified of the establishment of such pledge; (ii) the proper civil and financial pledge agreement must be executed and will become effective vis à vis the Polish Guarantor once it is notified of the establishment of such pledge, (iii) the pledges should be disclosed in the book of shares of the Polish Guarantor. Additional formal requirements are to be complied with, i.e. civil pledge agreement shall be concluded in writing with a certified date (Polish: forma pisemna z datą pewną).

The registered pledges over the assets may be validly established only after fulfilment of the certain perfection requirements including the following: (i) the proper pledge agreement must be executed and (ii) the registered pledge must be registered in the register of pledges maintained by the competent court.

The mortgage may be validly established only after fulfilment of the certain perfection requirements including the following: (i) an agreement in a form of a notarial deed must be executed, (ii) the mortgage must be registered in the land and mortgage register and takes effect as of the date on which the motion to register the mortgage was filed with the court.

The agreement of the security assignment of a thing, receivable or of other right (even if governed by non Polish law) is effective towards the bankruptcy estate (as defined by the Bankruptcy Law), if it was executed in writing with a certified date (i.e., e.g. a date certified by a Polish notary).

In principle, a secured creditor can enforce its security once the secured claim becomes mature (that is, the debt becomes due and payable). Under certain circumstances, the creditor must obtain a final and non appealable court decision and enforcement clause before enforcing its security. A less formal procedure is possible, for example, if the claim is secured by registered or financial pledge and the pledge agreement provides that the creditor can take over the pledge object.

Parallel debt structure under Polish law

In majority of cases, under Polish law security interests cannot be granted to a party other than the creditor of the secured claim. Generally, under Polish law, the pledge or mortgage is strictly accessory and follows the debt or claim it secures and may not be transferred without such debt or claim. If such debt or claim is transferred without the pledge or mortgage, the latter will expire.

For that reason, in certain transactions, also in Poland, a parallel debt structure is used, whereby the guarantor, as a separate and independent obligation governed by non Polish law, undertakes to pay to the security agent 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 that can be validly secured by a security interest. Consequently, the security interests are granted to the security agent in its own capacity as a creditor acting in its own name pursuant to the parallel debt, and not as a representative of the creditors. It is usually expressly agreed in such parallel debt agreement that the obligations of the debtor towards the security agent shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa).

The Supreme Court issued the judgments on October 9, 2009 (Case No. IV CSK 145/09, Case No. IV CSK 169/09 and Case No. IV CSK 155/09) concerning the effectiveness of establishing security interests over the assets of the debtor of parallel debt. In the above cases, the Supreme Court has not challenged the validity of a foreign law parallel debt structure, however, such structure was only indirectly referred to in the above judgments. As there is no doctrine of "precedence" under Polish law, uncertainty exists as to validity and enforceability of the parallel debt under Polish law.

As Polish law does not recognize the concept of "trust" or "trustee", it is uncertain how the Security Agent will be treated by a Polish court.

TAXATION

CERTAIN GERMAN TAX CONSIDERATIONS

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect. Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

Ongoing payments, such as interest payments, received by an individual Holder of the Notes will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German financial institution (*i.e.*, a bank, a financial service institution, a securities trading company or a securities trading bank (each, a "***Disbursing Agent***", *auszahlende Stelle*)). The term German financial institution includes a German branch of a foreign financial institution but not a foreign branch of a German financial institution. The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). If the individual Holder is subject to church tax, a church tax surcharge will also be withheld. The church tax surcharge is automatically withheld by the Disbursing Agent unless the Holder notifies the Federal Central Tax Office (*Bundeszentralamt für Steuern*) it objects to automatic withholding. In this case, the Holder will be assessed to church tax (if applicable).

The same treatment applies to capital gains (*i.e.,* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual Holder irrespective of any holding period provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If 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. If interest claims are disposed of separately (*i.e.,* without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (including interest accrued on the Notes ("***Accrued Interest***", *Stückzinsen*), if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 Para. 2 of the EU Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the "***EU Savings Tax Directive***").

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual Holder of the Notes via the Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual Holder in the custodial account with the Disbursing Agent.

Upon the individual Holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the Holder of the Notes has submitted to the Disbursing Agent a certificate of non assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate Holder who is a German tax resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are generally subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same applies where the Notes form part of a trade or business (of an individual or a commercial partnership) subject to further requirements being met.

Interest and capital gains received by non residents of Germany are, in general, not subject to German withholding tax or the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as set forth under "*—Taxation of Current Income and Capital Gains—Non Tax Residents*") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "*—Tax Residents*" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management is located in Germany).

Income (*i.e.* interest and capital gains) derived under the Notes held by an individual Holder who is tax resident in Germany, irrespective of any holding period, is in general subject to German income tax at a flat tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual Holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer—Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual Holder who is a tax resident in Germany will, in principle, be satisfied by the tax withheld. To the extent withholding tax has not been levied, such as in the case no Disbursing Agent being involved in the payment process, the individual Holder must include his or her income and capital gains derived from the Notes in his or her tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual Holder may, and in case the actual gain is higher than 30% of the disposal proceeds, must apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual Holder may apply for a tax assessment on the basis of general rules applicable to him or her if the resulting individual income tax burden is lower than 25% with any amounts of German tax over-withheld being refunded. The deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual Holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated January 18, 2016 a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt loss or waiver are not tax deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should be applicable according to the said tax decree if the Notes expire worthless so that losses may not be tax-deductible at all. According to the view of the tax authorities, losses suffered from a sale of Notes will only be recognized if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business of an individual or corporate Holder or where the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax thereon). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective Holder will have to include income and related (business) expenses in the tax return and the balance will be taxed at the Holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the Holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and capital gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the Holder is an individual or an individual partner of a partnership, the trade tax may be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non Tax-Residents

This subsection "*—Non Tax Residents*" refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management is not located in Germany).

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by Holders who are not tax resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Holder or (ii) the income otherwise constitutes German source income (such as income from the letting and leasing of certain German situs real estate or income from capital investments directly or indirectly secured by German-situs real estate, unless the Notes qualify as global notes (*Sammelurkunde*) within the meaning of Section 9a of the German Custody Act (*Depotgesetz*) or as fungible notes representing the same issue (*Teilschuldverschreibung*). In cases (i) and (ii) a tax regime similar to that explained above under "*—Tax Residents*" applies. Subject to certain requirements, a Holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany or in certain cases for German citizens who previously maintained a residence in Germany. If neither the Holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied if the Notes qualify as fungible notes representing the same issue (*Teilschuldverschreibung*) unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany.

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). Currently, net assets tax is not levied in Germany.

The European Commission and several EU Member States (including Germany) are currently planning to introduce a financial transaction tax ("**FTT"**) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force with regard to dealings with the Notes (see section "*The proposed Financial Transaction Tax (FTT)*" below).

International Exchange of Information

Based on the so-called „OECD Common Reporting Standard", the states which have committed themselves to implement this standard (**Participating States**) will exchange potentially taxation-relevant information about financial accounts which an individual holds in a Participating State other than his country of residence. This procedure will commence in 2017 with information for the year 2016 (in case of the so-called "Early Adopters") and in 2018 with information for the year 2017 (all other Participating States, respectively). The same applies starting on 1 January 2016 for the Member States of the European Union (except as of January 1, 2017 as regards Austria). Due to an extension of the Directive 2011/16/EU on administrative cooperation in the field of taxation (**Mutual Assistance Directive**), the Member States will from that date onwards exchange financial information on notifiable financial accounts of individuals which are resident in another Member State of the European Union. This procedure will commence in 2017 with information for the year 2016 (except as of January 1, 2017 as regards Austria).

In Germany, the amended EU Mutual Assistance Directive and the OECD Common Reporting Standard were implemented by the Act on the Exchange of Financial Accounts Information (*Finanzkonten-Informationsaustauschgesetz*—**FKAustG**) which became effective as of 31 December 2015.

So far, the exchange of information on savings interest income was mainly regulated by the EU Savings Tax Directive. It provided for an exchange of information between authorities of the Member States regarding interest payments and equivalent payments by paying agents of a Member State (within the meaning of such directive) to a private individual with domicile for tax purposes in another Member State, and in the case of Austria, for a withholding of tax from such payments for a transitional period. In order to prevent an overlap between the EU Savings Tax Directive and the amended Mutual Assistance Directive, with effect as of 1 January 2017 (Austria) or 1 January 2016 (all other Member States), respectively, the EU Savings Tax Directive was repealed (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on payments made before those dates). Reporting and withholding requirements may arise on the basis of national laws, transitional provisions regarding the EU Savings Tax Directive (notwithstanding its repeal) and implementation measures of the Mutual Assistance Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted measures which are similar to the EU Savings Tax Directive (either provision of information or transitional withholding). These measures apply until further amendments to the OECD Common Reporting Standard and the amended Mutual Assistance Directive, respectively.

Noteholders should get information about, and where appropriate, take advice on the impact of the regulations regarding the international exchange of information and the implementation into national law on their investment.

The Proposed Financial Transaction Tax (FTT)

The EU Commission has published a proposal for a Directive for a common FTTin Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. However, Estonia has since stated that it will not participate.

The proposed FTT has a very broad scope and could, if introduced in the form of the proposal, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

The FTT proposal remains subject to negotiation between the participating Member States, is the subject of legal challenge and may therefore not be implemented at all. It may also be altered prior to any implementation, the timing of which (if at all) remains unclear. Additional EU Member States may decide to participate.

Prospective Holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion is limited to U.S. holders (defined below) who purchase the Notes in this Offering at their "issue price" (as defined below) and hold the Notes as capital assets. The following discussion does not address certain considerations that may apply to particular holders including, but not limited to, tax-exempt entities, holders subject to the U.S. federal alternative minimum tax, U.S. expatriates, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, certain financial institutions, insurance companies, regulated investment companies, partnerships or other pass-through entities (and investors therein), U.S. holders whose "functional currency" is not the U.S. dollar and persons who hold the Notes in connection with a "straddle", "hedging", "conversion" or other risk reduction transaction. This discussion does not address the tax considerations relevant to holders of the Notes under any state, local or non-U.S. tax laws or any other tax laws other than the U.S. federal income tax laws.

The discussion below is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations promulgated thereunder ("**Treasury Regulations**"), court decisions, revenue rulings and administrative pronouncements of the Internal Revenue Service (the "**IRS**") currently in force, all as of the date of this Offering, and all of which are subject to change or changes in interpretation. Prospective investors should particularly note that any such change or changes in interpretation could have retroactive effect so as to result in U.S. federal income tax consequences different from those discussed below. Consequently, prospective investors should consult their tax advisors as to the consequences of holding the Notes.

As used herein, the term "**U.S. holder**" means a beneficial owner of Notes that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state or political subdivision thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons control all of the substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes is an owner of the Notes, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Notes that is a partnership and partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of holding and disposing of the Notes.

The issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) for money.

Prospective investors are urged to consult their own tax advisors with respect to the particular tax consequences to them of the purchase, ownership and disposition of the Notes, including the tax consequences under any state, local, non-U.S. and other tax laws.

Characterization of the Notes

In certain circumstances (see e.g., "*Description of the Notes—Optional Redemption*" and "*Description of the Notes—Repurchase at the Option of Holders upon a Change of Control*") we may be obligated to make payments on the Notes in excess of stated principal and interest. If (i) the exercise of the Issuer's option to redeem the Notes is not remote and (ii) it is not significantly more likely than not that no Change of Control will occur, the Notes could be treated as contingent payment debt instruments for U.S. federal income tax purposes. We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments for U.S. federal income tax purposes. Our determination that the Notes should not be treated as contingent payment debt instruments is binding on a U.S. holder unless such U.S. holder discloses its contrary position in the manner required by the applicable Treasury Regulations. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of such a Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Interest

Payments of stated interest (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) on a Note generally will be includible in the gross income of a U.S. holder as foreign source ordinary interest income at the time the interest is received or accrued, depending on the U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder of a Note that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest will be required to include in income the U.S. dollar value of the euro interest payment (translated at the "spot rate" on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars. A cash method U.S. holder will not recognize exchange gain or loss with respect to the receipt of such payment, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder of a Note that uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in ordinary income the U.S. dollar value of the amount of interest income in euros that has accrued with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within each taxable year. Alternatively, an accrual basis holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year, in the case of an accrual period that spans more than one taxable year), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of a Note that uses the accrual method of accounting for U.S. federal income tax purposes may recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the "spot rate" on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars. Such gain or loss will generally constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Original Issue Discount

The Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In such event, U.S. holders generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders will generally include any OID in income in advance of the receipt of cash attributable to such income.

The Notes will be treated as issued with OID if the stated principal amount of the Notes exceeds their issue price (as defined above) by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that the Notes are issued with OID, the amount of OID with respect to a Note of such series includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity", determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

OID, if any, on the Notes will be determined for any accrual period in euro and then translated into U.S. dollars in accordance with one of the methods described above in the third paragraph under "*—Interest*".

A U.S. holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note (other than payments of stated interest) will be viewed first, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and second, as receipts of principal.

Foreign currency exchange gain or loss generally will constitute U.S. source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Foreign Tax Credit

Subject to the discussion of exchange gain or loss above, interest income (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) and OID, if any, on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. If a U.S. holder does not meet a minimum holding period with respect to the Notes during which the holder is not protected from risk of loss, such holder generally will not receive a foreign tax credit for foreign taxes imposed with respect to the Notes. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Sale and Disposition of the Notes

Upon the sale, exchange or other disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which, to the extent not previously included in income, will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the U.S. dollar cost of the Note to the holder decreased by any principal payments previously received and increased by any OID previously accrued by such U.S. holder with respect to such Note.

The cost of acquiring a Note will be the U.S. dollar value of the euro purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase. The amount realized on the sale, exchange or other disposition of a Note for an amount of euros will be the U.S. dollar value of that amount on (i) the date payment is received in the case of a cash basis U.S. holder, (ii) the date of disposition in the case of an accrual basis U.S. holder, or (iii) if the Note is traded on an established securities market, the settlement date in the case of a cash basis U.S. holder (and, if it elects, an accrual basis U.S. holder). If an accrual method taxpayer makes the election described in this paragraph, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. If the Notes are not traded on an established securities market (or the relevant holder is an accrual basis U.S. holder that does not make the special settlement date election), a U.S. holder will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange or other disposition of a Note that is attributable to changes in currency exchange rates relating to the principal thereof will be ordinary income or loss and will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in euros determined on the date of the sale, exchange or other disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in euros determined on the date the U.S. holder acquired the Note. In addition, a U.S. holder may recognize foreign currency gain or loss with respect to amounts of previously accrued interest and accrued OID, if any, based on the difference between the rate of exchange at which the interest or OID was included in income and the applicable rate of exchange at which the holder is required to translate euros at the time the Note matures or is otherwise disposed of. The foregoing foreign exchange gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange or other disposition of the Note, and will generally be treated as U.S. source ordinary income or loss for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange or other disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year at the time of the sale or other disposition. In the case of an individual U.S. holder, any such long-term capital gain generally will be subject to preferential U.S. federal income tax rates if that U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to significant limitations.

Receipt of Euros

The tax basis of any euros received by a U.S. holder generally will equal the U.S. dollar value of the euros at the spot rate of exchange on the date the euros are received. Upon any subsequent exchange of euros for U.S. dollars, a U.S. holder generally will recognize exchange gain or loss equal to the difference between the amount of U.S. dollars received and the U.S. holder's tax basis in the euros. Upon any subsequent exchange of euros for property (including non-U.S. currency), a U.S. holder generally will recognize exchange gain or loss equal to the difference between the U.S. dollar value of the euros exchanged for such property based on the U.S. dollar spot rate of exchange for euros on the date of the exchange and the U.S. holder's tax basis in the euros so exchanged. Any such exchange gain or loss generally will be treated as U.S. source ordinary income or loss.

Reportable Transactions

Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that such sale, exchange, retirement or other taxable disposition or receipt of foreign currency results in a foreign currency tax loss in excess of a threshold amount. If investors fail to timely file a required disclosure under these rules, substantial penalties can apply. Potential investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes.

U.S. Information Reporting and Backup Withholding

Payments of interest, accruals of OID, if any, 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 may apply to amounts subject to reporting if the U.S. holder fails to timely 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 U.S. holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding and a refund of any excess.

Certain U.S. holders may be required to report to the IRS information with respect to any 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 this rule for their investment in the Notes.

Medicare Tax

Certain U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to an additional 3.8% Medicare tax on some or all of such U.S. holder's "net investment income". Net investment income generally includes interest on, and gain from the disposition of, the Notes unless such interest income or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. holders should consult their tax advisors regarding the effect this tax may have, if any, on their acquisition, ownership or disposition of Notes.

CERTAIN ERISA CONSIDERATIONS

General

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA, but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" (as defined in Section 3(14) of ERISA) or "**disqualified persons**" (as defined in Section 4975 of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such Similar Laws.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and/or hold any Notes should consider, among other things, whether such purchase and/or holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Guarantors, the Initial Purchasers, the Transfer Agent, the Paying Agent, the Holders' Representative or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these statutory exemptions, Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Note, the purchaser and any subsequent transferee thereof will be deemed to have represented and warranted that either: (i) no portion of the assets used by such purchaser or transferee to acquire and/or hold the Notes constitutes assets of any Plan or non-U.S., governmental or church plan subject to Similar Law or any entity whose underlying assets are considered to include "plan assets" (within the meaning of Section 2510.3-101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

Each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes will be represented by two global notes in bearer form, without interest coupons attached. One global note (the "**144A Global Note**") will represent Notes sold to qualified institutional buyers pursuant to Rule 144A, and one global note (the "**Regulation S Global Note**" and together with the 144A Global Note, the "**Global Notes**") will represent Notes sold in offshore transactions to non-U.S. persons pursuant to Regulation S.

Upon issuance, each of the Global Notes will be deposited with and immobilized, and held by Clearstream Banking AG, Frankfurt am Main, Germany, ("**Clearstream Banking**") and will be kept in custody by Clearstream Banking until all obligations of the Issuer under the Notes have been satisfied. Definitive notes representing individual Notes and interest coupons will not be issued.

All interests in the Global Notes will be subject to the operations and procedures of Clearstream Banking. The Notes will be transferable, subject to the limitations and procedures described below under "—*Transfers*", by appropriate entries in securities accounts in accordance with applicable rules of Clearstream Banking. The Notes will not be eligible for clearance through the facilities of the Depositary Trust Company.

Pursuant to the Book-Entry Registration Agreement between the Issuer and Clearstream Banking to be dated on or about the Issue Date, the Issuer has appointed Clearstream Banking as its book-entry registrar (the "**Book-Entry Registrar** ") in respect of the Notes and agreed on an agent for the Issuer to maintain (i) a register reflecting the aggregate number of Notes represented by each Global Note in accordance with the Conditions of Issue and (ii) a register (the "**Book-Entry Register**") containing records of the Notes credited to the accounts of the accountholders of Clearstream Banking, for the benefit of the Holders of the co-ownership interests (*Miteigentumsanteile*) in the Notes represented by the Global Notes.

The Issuer and Clearstream Banking have agreed, for the benefit of the Holders of co ownership interests in the Notes, that the actual number of Notes represented by each Global Note from time to time shall be evidenced by the records of the Book Entry Registrar. No transfer of any Note through the clearing system shall be effective unless it is recorded in the Book Entry Register. Ownership of interests in each Global Note will be limited to persons who have accounts with Clearstream Banking ("**participants**") or persons who hold interests through participants ("**indirect participants**").

Transfers

Transfers between participants in Clearstream Banking will be effected in accordance with the applicable rules of Clearstream Banking rules and, outside of the Federal Republic of Germany, of Clearstream Banking, (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) as operator of the Euroclear System and any successor in such capacity, and will be settled in immediately available funds. The Notes will be transferable only in minimum aggregate principal amounts of €100,000 and any integral multiple of €1,000 in excess thereof. Each Global Note and interests in each Global Note will be subject to restrictions on transfer as described under "*Transfer Restrictions*" and "*Plan of Distribution—Selling and Transfer Restrictions*".

The Notes represented by the 144A Global Note may be exchanged for Notes represented by the Regulation S Global Note and vice versa, except that no such exchange can be effected in the period starting three business days prior to any payment of principal, interest or any other amount under the Conditions of Issue until (and including) the date of such payment.

If a holder who holds a book-entry interest in the 144A Global Note wishes at any time to exchange its interest in the 144A Global Note for an interest in the Regulation S Global Note, or to transfer its interest in the 144A Global Note to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Note, it may, subject to the rules and procedures of the clearing system and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the Regulation S Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the Regulation S Global Note in an amount equal to the interest in the 144A Global Note of the same series to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the U.S. Securities Act; and

(b) transfer of its interest in the 144A Global Note to be transferred or exchanged to the account of the Transfer Agent with the clearing system designated by the Transfer Agent.

After the relevant distribution compliance date, the certification requirement set forth in clause (a)(iii) of the immediately preceding sentence will no longer apply to such transfers. The "**relevant distribution compliance date**" means the 40-day period following the issue date for the Notes.

If a Holder who holds a book-entry interest in the Regulation S Global Note wishes at any time to exchange its interest in the Regulation S Global Note for an interest in the 144A Global Note, or to transfer its interest in the Regulation S Global Note to a person who wishes to take delivery thereof in the form of an interest in the 144A Global Note, it may, subject to the rules and procedures of the clearing system and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the 144A Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the 144A Global Note in an amount equal to the interest in the Regulation S Global Note to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) if such transfer or exchange is to be made prior to or on the relevant distribution compliance date, stating that such Holder reasonably believes that the person acquiring such interest in such 144A Global Note is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act and any applicable securities laws of any state of the United States or any other jurisdiction; and

(b) transfer of its interest in the Regulation S Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

Any exchange of Notes represented by the 144A Global Note for Notes represented by the Regulation S Global Note, or vice versa, shall be recorded on the register and shall be effected by an increase or a reduction in the aggregate amount represented by the Rule 144A Global Note by the aggregate principal amount of the Notes so exchanged and a corresponding reduction or increase in the aggregate principal amount of Notes represented by the Regulation S Global Note.

Pursuant to an agreement dated on or about the Issue Date between the Issuer and Clearstream Banking, the Issuer has appointed Clearstream Banking as the Book-Entry Registrar. The Book-Entry Registrar has agreed to maintain the Book-Entry Register, as agent of the Issuer, showing the interests of Clearstream Banking accountholders in the Global Notes. No transfer of any Note through the clearing system shall be effective unless it is recorded in the Book-Entry Register. On any redemption of, or payment of an installment on, or purchase and cancellation of, any of the Notes represented by a Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of that Global Note shall be entered accordingly in the register and, upon any such entry being made, the principal amount of the Notes represented by the Global Notes shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such installment so paid and appropriate entries shall be made in the Book-Entry Register by the Book-Entry Registrar.

Book-Entry Procedures for the Global Notes

The following summaries of those operations and procedures are provided herein 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 Issuer, Guarantors or the Initial Purchasers is responsible for those operations or procedures.

The Issuer and the Guarantors understand the following with respect to Clearstream Banking:

- Clearstream Banking holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of those participants;
- Clearstream Banking provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of securities and securities lending and borrowing;
- Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations; and
- indirect access to Clearstream Banking is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Clearstream Banking participant, either directly or indirectly.

Payments of principal, premium (if any) and interest with respect to the Notes will be made by the Issuer in Euros to the Paying Agent, which will pay such amounts to Clearstream Banking, as the holder of the Global Notes. Clearstream Banking will, in turn, distribute those payments to its participants in accordance with its procedures. Payments by participants and indirect participants of Clearstream Banking to the owners of interests in a Global Note will be the responsibility of those participants or indirect participants.

Investors will only be able to make and receive deliveries, payments and other communications relating to the Notes through Clearstream Banking on days when the Clearstream Banking system is open for business. That system may not be open for business on certain days when banks, brokers and other institutions are open for business in the United States. In addition, because of time-zone differences, there may be complications in connection with completing transactions through Clearstream Banking on the same business day as in the United States. U.S. investors who wish to transfer an interest in a Global Note or to receive or make a payment or delivery of such an interest on a particular day may find that the transaction will not be performed until the next business day in Frankfurt am Main, Germany.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Clearstream Banking has advised the Issuer that it 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. Clearstream Banking will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes.

Book-entry interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in "*Plan of Distribution—Selling and Transfer Restrictions*".

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and other applicable state securities laws. Accordingly, the Notes are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) ("**QIBs**") in reliance on Rule 144A and (ii) to persons other than "U.S. persons" (as defined in Regulation S under the U.S. Securities Act) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S:

(a) in the United States, to "qualified institutional buyers", commonly referred to as "QIBs", as defined in Rule 144A in compliance with Rule 144A; and

(b) outside the United States, to non U.S. persons in offshore transactions in accordance with Regulation S.

The Issuer uses the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

The Notes have not been registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. persons unless the Notes are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available.

Each purchaser of the Notes hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented and agreed with us, each Guarantor and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (6) below;

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either;

   (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

   (b) it is purchasing the Notes in an offshore transaction in accordance with Regulation S;

(3) It acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers;

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act, or in any transaction not subject to the U.S. Securities Act;

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is, in the case of the Rule 144A Notes, one year after the latest of the original issue date of the Notes, the original issue date of the issuance of any Additional Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or any predecessor thereof) or, in the case of the Regulation S Notes, 40 days after the later of the original issue date and the last date on which the Notes were first offered to persons other than Distributors (as defined in Rule 902 of Regulation S), only (i) to the Issuer or the Guarantors; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Holders' Representative's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Holders' Representative. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will bear 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 REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS 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 WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF THE REGULATION S) IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATEST OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER OR THE GUARANTORS, (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, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH 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 HOLDERS' REPRESENTATIVE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

If the Notes are issued with original issue discount for U.S. federal income tax purposes, the Notes will bear the following legend:

ORIGINAL ISSUE DISCOUNT. THE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. IN SUCH CASE, THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY MAY BE OBTAINED BY CONTACTING THE ISSUER AT WEPA HYGIENEPRODUKTE GMBH, DEPARTMENT OF INVESTOR RELATIONS, RÖNKHAUSER STRASSE 26, 59757 ARNSBERG, GERMANY.

A purchaser of Notes will also be deemed to acknowledge that the foregoing restrictions apply to Holders of beneficial interests in these Notes as well as to Holders of these Notes.

(6) It understands that the issuance of Additional Notes under the Conditions of Issue may have the effect of extending the Resale Restriction Termination Date;

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes;

(8) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A;

(9) It acknowledges that the Book-Entry Registrar and Transfer Agent will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, Transfer Agent and the Book-Entry Registrar that the restrictions set out therein have been complied with;

(10) It acknowledges that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

(11) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Investors—Notice to Certain European Investors*".

PLAN OF DISTRIBUTION

General

The Issuer has agreed to sell to Deutsche Bank AG, London Branch, and HSBC Bank plc (together, the "**Initial Purchasers**"), and the Initial Purchasers have agreed, subject to certain customary closing conditions, to subscribe to and pay for the Notes on the Issue Date.

The sale will be made pursuant to an agreement among the Issuer, the Guarantors and the Initial Purchasers dated the date hereof (the "**Purchase Agreement**"). Subject to the terms and conditions of the Purchase Agreement, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, all of the Notes. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by the Issuer's and their counsel. The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer has furthermore agreed to reimburse the Initial Purchasers for certain expenses incurred in connection with the issue of the Notes. In the Purchase Agreement, the Issuer and the Guarantors have made certain representations and given certain warranties in respect of their respective legal and financial matters. The Initial Purchasers are entitled, under certain circumstances, to terminate the Purchase Agreement. In such event, no Notes will be delivered to investors.

Members of our management have placed orders to purchase Notes.

No Sale of Similar Securities

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the Notes or other euro-denominated debt securities with a tenor of more than one year for a period of 120 days from the date the Notes are issued without first obtaining the written consent of the Joint Bookrunners.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and admitted to trading on the Euro MTF. There can be no assurance that any such listing will be granted or maintained. The Initial Purchasers have advised us that they intend to make a market in the Notes after completion of the Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market-making activities at any time without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, it cannot be assured that any market for the Notes will develop, or that such market will be liquid if it does develop, or that an investor will be able to sell any Notes at a particular time or at a price which will be favorable.

Stamp Tax

Persons that purchase the Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price.

Price Stabilization and Short Positions

In connection with the offering, Deutsche Bank AG, London Branch (the "**Stabilizing Manager**") (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over the counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither the Issuer nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither the Issuer nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Initial Settlement

It is expected that delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of the offering memorandum, which will be the tenth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+10"). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next six succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next six succeeding business days should consult their own advisor.

Other Relationships

The Initial Purchasers or their respective affiliates, from time to time, may provide in the future, investment banking, commercial lending, consulting and financial advisory services to the Issuer and its affiliates for which they may receive customary advisory and transaction fees, commissions and expense reimbursement. In addition, the Initial Purchasers are lenders under the Senior Revolving Credit Facility to which, *inter alios*, the Issuer and certain of its subsidiaries are parties.

Selling and Transfer Restrictions

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or qualified for sale under the securities laws of any U.S. state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non U.S. persons in offshore transactions in reliance on Regulation S. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under "*Notice to Investors*" and "*Transfer Restrictions*". Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes will constitute a new class of securities with no established trading market. The Initial Purchasers have advised us that, following the completion of this offering, they currently intend to make a market in the Notes as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to do so, and the Initial Purchasers may discontinue any market making activities with respect to the Notes at any time in their sole discretion. Accordingly, no assurance can be given that any market for the Notes will develop, that it will be liquid and that you will be able to sell any of the Notes held by you at a particular time or that the prices that you receive when you sell will be favorable to you. See "*Risk Factors—Risks Related to the Notes—An active trading market may not develop for the Notes, in which case your ability to sell the Notes may be limited*". Each purchaser of the Notes, by its purchase of the Notes, will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "*Notice to Investors*".

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors); and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, Germany and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Notice to the Investors*" and "*Transfer Restrictions*".

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. 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.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and certain of the Guarantors are organized under the laws of Germany. Other Guarantors are incorporated in Poland, Italy and France. None of the directors, officers or other executives of the Issuer and the Guarantors are residents or citizens of the United States. Therefore, you may be unable to effect service of process within the United States on the directors, officers or executives. Furthermore, since the assets of the Issuer and each of the Guarantors, and its and their respective directors and officers are located outside the United States, any judgment obtained in the United States against the Issuer or a Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. Federal or state securities laws, may not be collectible in the United States.

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on U.S. federal or state securities laws, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally would not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of a U.S. judgment by a German court would be conditional upon a number of factors, including the following:

- the judgment being final under U.S. federal or state 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 matter (*Verfahren*) resulting in the judgment of the U.S. court being consistent with the matter (*Verfahren*) pending before a German court, provided that such German matter was pending before a German court prior to the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with the substantial foundations of German law, in particular with the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

In addition, in the past the recognition and enforcement of punitive damages has been denied by German courts as incompatible with the substantial 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. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

We have been advised by Polish, Italian and French counsel that similar risks related to enforcing judgments from a U.S. federal or state court exist in such jurisdictions, and we cannot assure you that such risks do not and will not exist in other jurisdictions, including those in which the assets of some or all of our subsidiaries that may guarantee the Notes in the future are located.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Mayer Brown LLP, as to matters of German law, and by Mayer Brown International LLP as to matters of U.S. federal law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins LLP, as to matters of German law, and Latham & Watkins (London) LLP as to matters of U.S. federal law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer as of and for the years ended December 31, 2013, 2014 and 2015, which were prepared on the basis of German GAAP and are included in this offering memorandum, have been audited in accordance with Section 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) by KPMG AG Wirtschaftsprüfungsgesellschaft ("**KPMG**"), independent auditors, as stated in their auditor's reports appearing herein. Each of the respective auditor's opinions of KPMG on the consolidated financial statements refers to the respective group management report of WEPA Hygieneprodukte GmbH. The group management reports are not reprinted in this offering memorandum. The examination of, and the auditor's opinion upon, such group management reports are required under German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, KPMG does not express any opinion on this information or on the consolidated financial statements included in this offering memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

AVAILABLE INFORMATION

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

- such person has been afforded an opportunity to request from us and has received and reviewed all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;
- such person has not relied on information provided or representations made by the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first bullet above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

Pursuant to the Conditions of Issue and so long as the Notes are outstanding, anyone who has received this offering memorandum may, following the Issue Date, obtain a copy of the Conditions of Issue, the Notes, the Guarantees, the Security Documents (as defined in the Intercreditor Agreement) and the Intercreditor Agreement, without charge, in each case, by writing to the Paying Agent. Copies of such documents are also available at the specified office of the Paying Agent and the registered office of the Issuer.

Pursuant to the Conditions of Issue and so long as the Notes are outstanding, we will furnish periodic information to Holders of the Notes. See "*Description of the Notes—Covenants—Reports*".

The additional documents and information specified in "*Listing and General Information*" and not included in this offering memorandum will be available to be inspected and obtained by Holders at the specified office of the Paying Agent during normal business hours on any weekday.

LISTING AND GENERAL INFORMATION

Listing information

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and admitted to trading on the Euro MTF. There can be no assurance that any such listing will be granted or maintained. The Euro MTF is not a regulated market for the purposes of Directive 2004/39/EC.

For so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that exchange so require, copies of the following documents (together with English translations thereof, as applicable) may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the Issuer's and each of the Guarantor's organizational documents;
- our most recent audited consolidated financial statements and any interim quarterly consolidated financial statements published by us;
- the Conditions of Issue relating to the Notes;
- the Guarantee Agreement;
- the Intercreditor Agreement; and
- the Agency Agreement.

We will maintain a paying agent for as long as any of the Notes are listed on the Euro MTF of the Luxembourg Stock Exchange.

The Issuer reserves the right to vary such appointment, and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

The Notes are freely transferable.

Clearing Information

The Notes have been accepted for clearance and settlement through the facilities of Clearstream Banking. Certain trading information with respect to the Notes is set out below:

	ISIN	Common Code
Rule 144A Global Notes		
Regulation S Global Notes		

Legal Information

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the prospects of the Issuer since December 31, 2015; and
- none of the Issuer or the Guarantors or any of their respective subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer, the Guarantors and their respective subsidiaries are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer accepts responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

Authorization

The creation and issuance of the Notes was authorized by the shareholder meeting of WEPA Hygieneprodukte GmbH dated May , 2016 with the approval of the Supervisory Board of WEPA Industrieholding SE dated May , 2016. The Guarantees were authorized by resolution of the board of directors (or equivalent body), where applicable, and, where required, by the shareholders' meeting, of each of the Guarantors.

General information on the Issuer and the Guarantors

WEPA Hygieneprodukte GmbH

The Issuer is registered in the commercial register of the Local Court of Arnsberg under the number HRB 9280 under its current name WEPA Hygieneprodukte GmbH. The Issuer was established under the name WEPA Papierfabrik P. Krengel KG as a limited partnership (*Kommanditgesellschaft*) on January 4, 1960 and was converted into a limited liability company (*Gesellschaft mit beschränkter Haftung/GmbH*) with an indefinite duration on August 27, 2010. Its registered share capital amounts to €8,100,000.

The Issuer's main offices are located at Rönkhauser Str. 26, 59757 Arnsberg, Germany. The main telephone number of the Issuer is +49 (0) 2932-3070 and its corporate website is www.wepa.de.

According to article 2 of the Issuer's articles of association, the corporate purpose of the Issuer is the production, converting and/or distribution of paper of any kind. It is authorized to produce, convert, purchase and/or distribute other products and offer services of any kind and is entitled to set up branches in Germany or abroad and to establish subsidiaries. It may also acquire or take a stake in entities with similar or other corporate purposes and is authorized to conduct any business and take any actions which may promote its corporate purpose.

WEPA International GmbH

WEPA International GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 6896 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA International GmbH's registered share capital amounts to €26,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the acting as an intermediate holding company for some of our international production sites.

WEPA Papierfabrik Sachsen GmbH

WEPA Papierfabrik Sachsen GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Chemnitz, Germany, under registration number HRB 3901 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Papierfabrik Sachsen GmbH's registered share capital amounts to €5,556,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution of tissue paper and related products.

WEPA Leuna GmbH

WEPA Leuna is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 8385 and its registered office is An der B91 Alter Maienweg, 06237 Spergau, Germany.

WEPA Leuna GmbH's registered share capital amounts to €25,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution of tissue paper and related products.

WEPA Italia S.r.l.

WEPA Italia S.r.l. is a limited liability company with one shareholder (*Società a responsabilità limitata con un unico socio)* incorporated under the laws of Italy. It is registered with the commercial register of Lucca, Italy, under tax (*codice fiscale*) and registration number 02595500212 and its registered office is Capannori (LU) zona industriale Porcari Nord SN, fraction: Lunata, Italy.

WEPA Italia S.r.l.'s registered share capital amounts to €5,000,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution of tissue paper and related products.

WEPA France S.A.S.

WEPA France S.A.S. is a simplified joint stock company (*Société par actions simplifiée)* incorporated under the laws of France. It is registered with the commercial register RCS Lille-Métropole, France, under registration number 507500635 and its registered office is Avenue de l'Europe, 59166 Bousbecque, France.

WEPA France S.A.S. registered share capital amounts to €11,108,102.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution and sale of tissue paper and related products.

WEPA Professional GmbH

WEPA Professional GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 9243 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Professional GmbH's registered share capital amounts to €25,500.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the distribution of tissue paper and related products, with a focus on the AfH division.

WEPA Grundbesitz GmbH & Co. KG

WEPA Grundbesitz GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6976 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Grundbesitz GmbH & Co. KG's registered liability contribution amounts to €1,100.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the letting of owned real properties to other members of the WEPA Group. The real properties owned by WEPA Grundbesitz GmbH & Co. KG are located in Arnsberg, Giershagen and Mainz.

WEPA Sachsen Grundbesitz GmbH & Co. KG

WEPA Sachsen Grundbesitz GmbH & Co. KG is a limited partnership (Kommanditgesellschaft) incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6977 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Sachsen Grundbesitz GmbH & Co KG's registered liability contribution amounts to €1,100.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the letting of owned real property to other members of the WEPA Group. The real property owned by WEPA Sachsen Grundbesitz GmbH & Co. KG is located in Kriebstein.

WEPA Leuna Grundbesitz GmbH & Co. KG

WEPA Leuna Grundbesitz GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6975 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Leuna Grundbesitz GmbH & Co. KG's registered liability contribution amounts to €1,100.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the letting of owned real property to other members of the WEPA Group. The real property owned by WEPA Leuna Grundbesitz GmbH & Co. KG is located in Leuna.

WEPA Professional Piechowice S.A.

WEPA Professional Piechowice S.A. is a joint stock corporation (*Spólka Akcyjna)* incorporated under the laws of Poland. It is registered with the commercial register of the district Court in Wrocław-Fabryczna in

Wrocław, Poland under register number KRS 0000137657 and under tax identification number (NIP) 6111003358 and its registered office is ul. Pakoszowska 1B, 58-573 Piechowice, Poland.

WEPA Professional Piechowice S.A.'s registered share capital amounts to PLN19,100,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production of tissue paper and related products.

WEPA Produktion GmbH & Co. KG

WEPA Produktion GmbH & Co. KG is a limited partnership (Kommanditgesellschaft) incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6966 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Produktion GmbH & Co KG's registered liability contribution amounts to €1,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the management of operations (Betriebsführung) of our production sites in Arnsberg, Giershagen and Mainz.

WEPA Kraftwerk GmbH

WEPA Kraftwerk GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 1967 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Kraftwerk GmbH's registered share capital amounts to €25,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the construction and operation of a multifuel firing system for gaseous, solid and liquid fuels including construction and operation of plants for previous treatment of fuels; construction and operation of combined heat and power plants and other useful energy producing facilities in where gaseous, solid and liquid fuels for energy production be used; trading with waste, raw materials, packaging materials, semi-finished and finished products.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following English-language consolidated financial statements are translations of the German-language consolidated financial statements.

Wepa Hygieneprodukte GmbH, Arnsberg

Unaudited interim consolidated financial statements for the three-month period from January 1, 2016 to March 31, 2016

—As English Translation of the German Original—

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

BALANCE SHEET

AS AT MARCH 31, 2016

Assets

			03/31/2016	12/31/2015
			EUR	EUR
A.		**Fixed assets**		
I		Intangible assets		
	1.	Acquired concessions, industrial property rights and values as well as licenses on such rights and values	5,602,709.22	5,489,726.83
	2.	Goodwill	697,458.75	732,211.17
	3.	Advance payments	228,950.63	710,438.56
			6,529,118.60	6,932,376.56
II.		Tangible assets		
	1.	Land, rights equivalent to real property and buildings including buildings on leased land	133,466,798.07	134,651,310.70
	2.	Technical equipment and machinery	303,885,430.85	301,333,056.94
	3.	Other equipment, office furniture and fittings	7,363,623.87	7,110,720.64
	4.	Advance payments made and assets under construction	17,816,793.73	17,216,630.22
			462,532,646.52	460,311,718.50
III.		Financial assets		
	1.	Shares in affiliated companies	25,148.31	25,148.31
	2.	Loans to affiliated companies	28,910,000.00	28,910,000.00
	3.	Shares in associated companies	35,827,562.45	38,302,347.80
	4.	Loans to associated companies	2,287,490.00	2,467,010.98
	5.	Other loans	231,844.67	260,109.45
			67,282,045.43	69,964,616.54
			536,343,810.55	537,208,711.60
B.		**Current assets**		
I.		Inventory		
	1.	Raw materials and supplies	78,475,379.36	69,584,532.83
	2.	Semi-finished goods	22,118,035.28	22,354,247.70
	3.	Finished goods and merchandise	51,516,625.81	43,179,443.41
			152,110,040.45	135,118,223.94
II.		Receivables and other assets		
	1.	Trade receivables	55,388,644.28	51,495,748.14
	2.	Receivables from affiliated companies	248,642.88	393,763.84
	3.	Receivables from associated companies	2,576,986.13	2,577,833.06
	4.	Receivables from shareholders	3,929,117.72	4,073,575.19
	5.	Other assets	25,915,797.74	38,036,911.93
			88,059,188.75	96,577,832.16
III.		Cash on hand, deposits with banks and cheques	37,485,299.75	34,704,132.06
			277,654,528.95	266,400,188.16
C.		**Prepaid expenses**	3,418,682.43	1,051,561.36
			817,417,021.93	**804,660,461.12**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
UNAUDITED INTERIM CONSOLIDATED
BALANCE SHEET (Continued)
AS AT MARCH 31, 2016

Liabilities

			03/31/2016	12/31/2015
			EUR	EUR
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	19,203,152.99	19,203,152.99
	III.	Revenue reserves	1,546,043.06	1,546,043.06
	IV.	Retained earnings	171,768,451.14	162,243,849.07
	V.	Difference in equity from currency translation	−1,829,600.72	1,135,605.89
			198,788,046.47	192,228,651.01
B.		**Difference from capital consolidation**	29,501,453.85	30,043,567.22
C.		**Provisions**		
	1.	Provisions for pensions and similar obligations	2,211,940.00	2,211,940.00
	2.	Tax provisions	26,938,533.82	21,508,172.44
	3.	Other provisions	59,198,274.93	61,441,336.75
			88,348,748.75	85,161,449.19
D.		**Liabilities**		
	1.	Notes	327,000,000.00	327,000,000.00
	2.	Liabilities to banks	42,025,190.08	43,500,780.73
	3.	Advance payments received	11,683.48	0.00
	4.	Trade payables	93,232,744.72	88,241,102.08
	5.	Other liabilities	23,782,237.99	23,792,909.17
			486,051,856.27	482,534,791.98
E.		**Prepaid income**	2,476,566.47	2,666,066.68
F.		**Deferred tax liabilities**	12,250,350.12	12,025,935.04
			817,417,021.93	**804,660,461.12**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

STATEMENT OF INCOME

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

		Three-month period ended March 31, 2016	Three-month period ended March 31, 2015
		EUR	EUR
1.	Sales revenues	238,705,018.25	223,024,268.45
2.	Increase or decrease of inventory of finished goods and semi-finished goods	8,394,464.69	2,873,335.05
3.	Total operating performance	247,099,482.94	225,897,603.50
4.	Other operating income	3,226,282.46	2,948,638.89
5.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	−114,254,644.79	−101,961,560.30
	(b) Third-party service costs	−27,656,104.79	−29,181,803.72
		−141,910,749.58	−131,143,364.02
6.	Personnel expense		
	(a) Salaries and wages	−31,377,033.14	−29,888,306.58
	(b) Social security contributions and retirement and assistance costs	−7,512,778.72	−6,993,393.13
		−38,889,811.86	−36,881,699.71
7.	Amortization and depreciation on intangible and tangible assets	−9,728,756.45	−8,298,407.43
8.	Other operating expenses	−36,055,130.97	−32,485,998.21
9.	Earnings from associated companies	616,947.00	1,078,103.61
10.	Income from loans under financial assets	210,132.53	85,937.28
11.	Other interest and similar income	151,018.46	145,930.65
12.	Interest and similar expenses	−7,014,736.33	−6,649,352.54
13.	Earnings from ordinary activities	17,704,678.20	14,697,392.02
14.	Income taxes	−5,833,444.77	−3,728,325.69
15.	Other taxes	−2,346,631.36	−1,007,778.73
16.	Net income for the period	9,524,602.07	9,961,287.60
17.	Income carried forward	162,243,849.07	118,638,637.74
18.	Withdrawals from revenue reserves	0.00	432,344.82
19.	Retained earnings	171,768,451.14	129,032,270.16

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
UNAUDITED INTERIM CONSOLIDATED
STATEMENT OF CASH FLOW
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016
ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 21

Classification Plan II ("indirect method")

Information in EUR thousands			**Three-month period ended March 31, 2016**	**Three-month period ended March 31, 2015**
1.	Consolidated net income before extraordinary items		9,525	9,961
2.	+	Amortization/depreciation of fixed asset items	9,729	8,298
3.	+/−	Increase / decrease in provisions	−796	−2,981
4.	+/−	Other non-cash expenses/income	56	−720
5.	−/+	Gain/loss from the disposal of fixed asset items	53	785
6.	−/+	Increase / decrease in inventories, trade receivables and other assets	−10,840	−4,697
7.	+/−	Increase / decrease in trade payables and other liabilities	5,372	6,312
8.	+/−	Interest expenses / interest income	6,654	6,417
9.	+/−	Other income from associated companies	−617	−1,078
10.	+/−	Income tax expense / income	5,833	3,728
11.	−/+	Income taxes paid	−1,850	−5,852
12.	**=**	**Cash flow from operating activities**	**23,118**	**20,174**
13.	−	Payments to acquire intangible assets	−503	−282
14.	+	Proceeds from disposal of tangible assets	7	757
15.	−	Payments to acquire tangible assets	−11,063	−12,967
16.	+	Proceeds from disposal of financial assets	28	101
17.	−	Payments to acquire financial assets	0	−2
18.	−	Payments to acquire entities included in the basis of consolidation	−6,500	−22,551
19.	+	Interest received	150	145
20.	**=**	**Cash flow from investing activities**	**−17,881**	**−34,797**
21.	−	Payments for the repayment of loans and taking out (financial) credits	−1,450	−2,315
22.	−	Interest paid	−872	−612
23.	**=**	**Cash flow from financing activities**	**−2,322**	**−2,927**
24.	Net change in cash funds		2,915	−17,550
25.	+/−	Effects on cash funds of changes in the basis of consolidation	0	4,674
26.	+/−	Effect on cash fund of exchange rate movements and re-measurements	−108	28
27.	+	Cash funds at the beginning of the period	14,602	32,583
28.	**=**	**Cash funds at end of period**	**17,409**	**19,736**
		Cash and cash-equivalents	*37,485*	*39,801*
		Short term liabilities against banks	*−20,076*	*−20,066*

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

in EUR	Subscribed capital	Capital reserve	Revenue reserves	Retained earnings	Difference in equity from currency translation	Total
As at 12/31/2014	**8,100,000.00**	**19,203,152.99**	**1,786,384.74**	**118,638,637.74**	**− 42,002.27**	**147,686,173.20**
Payments	0.00	0.00	0.00	− 10,400,000.00	0.00	− 10,400,000.00
Addition to the item	0.00	0.00	0.00	0.00	1,177,608.16	1,177,608.16
Change of position	0.00	0.00	− 240,341.68	240,341.68	0.00	0.00
Consolidated income (+) / loss (−)	0.00	0.00	0.00	53,764,869.65	0.00	53,764,869.65
As at 12/31/2015	**8,100,000.00**	**19,203,152.99**	**1,546,043.06**	**162,243,849.07**	**1,135,605.89**	**192,228,651.01**
Addition to the item	0.00	0.00	0.00	0.00	− 2,965,206.61	− 2,965,206.61
Consolidated income (+) / loss (−)	0.00	0.00	0.00	9,524,602.07	0.00	9,524,602.07
As at 03/31/2016	**8,100,000.00**	**19,203,152.99**	**1,546,043.06**	**171,768,451.14**	**− 1,829,600.72**	**198,788,046.47**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

NOTES TO THE UNAUDITED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

General information regarding the unaudited interim consolidated financial statements

Wepa Hygieneprodukte GmbH, Arnsberg, prepared its audited consolidated financial statements for the financial year 2015 in accordance with Sections 298, paragraph 1, in conjunction with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code.

Accordingly, these unaudited interim consolidated financial statements for the period ended March 31, 2016 are also prepared in accordance with Sections 298, paragraph 1, in conjunction with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code. There are no "thereof" references in the balance sheet or the statement of income.

Scope of consolidation

The scope of consolidation has not changed compared to the audited consolidated financial statements for the financial year 2015.

Accounting and valuation methods

Beginning January 1, 2016, Wepa adopted new accounting standards prescribed by the German Accounting Directive Implementation Act ("BiLRUG" Bilanzrichtlinie-Umsetzungsgesetz). This leads to an increase of EUR 0.8 million in sales revenues and a corresponding decrease in the other income compared to the accounting standards applied before January 1, 2016. For convenience reasons (comparison with prior year figures) the structure of the income statement according to BiLRUG was not adopted.

In the three month period ended March 31, 2016 the position 'other taxes' contains energy taxes and insurance taxes in the amount of EUR 0.8 million. In the three month period ended March 31, 2015 the energy taxes were included in the position 'cost of material' and the insurance taxes were included in the position 'other operating expenses'.

With these exemptions, the same consolidation, valuation and accounting methods that applied to the 2015 audited consolidated financial statements were applied to the preparation of the unaudited interim consolidated financial statements for the period ended March 31, 2016. A detailed description of these methods is contained in the notes to the 2015 audited consolidated financial statements.

In contrast to the consolidated financial statements for the period ended December 31, 2015, no actuarial expert opinion was obtained for partial retirement provision and pension provisions for the unaudited interim consolidated financial statements ended March 31, 2016.

Regarding the calculation of income taxes (respectively deferred taxes) the actual (respectively expected) tax rates are applied.

Information on material risks

There have been no significant revisions to the risks for the WEPA Group for the unaudited interim consolidated financial statements ended March 31, 2016 compared with the audited consolidated financial statements for the financial year ended December 31, 2015.

We refer to the risk report in the consolidated management report of Wepa Hygieneprodukte GmbH for the 2015 business year.

Notes to the consolidated balance sheet

Fixed assets

Total fixed assets were reduced by EUR 0.9 million from EUR 537.2 million as at December 31, 2015 to EUR 536.3 million as at March 31, 2016. Tangible fixed assets slightly increased by EUR 2.2 million to EUR 462.5 million as at March 31, 2016. Financial assets reduced mainly because of changes in shares in associated companies by EUR 2.5 million to EUR 35.8 million as at March 31, 2016. Earnings from associated companies have a positive effect of EUR 0.6 million which are overcompensated by negative exchange rate effects.

Inventories

Inventories increased by EUR 17.0 million from EUR 135.1 million as at December 31, 2015 to EUR 152.1 million at March 31, 2016. Increase of raw materials and supplies by EUR 8.9 million is mainly caused by the cheaper purchase of pulp on the spot market. Higher inventories are also determined by the new paper machines in Lille and Marsberg. Increase in finished goods and merchandise by EUR 8.3 million is due to pro-active measurements for planned sales promotions in the coming weeks as well as to ensure delivery capability in the month of May with upcoming bank holidays and bridge days.

Trade receivables

The increase in trade receivables from EUR 51.5 million as at December 31, 2015 by EUR 3.9 million to EUR 55.4 million as at March 31, 2016 is mainly due to a reduction of sold receivables in our ABS program.

Equity

Subscribed capital is EUR 8.1 million.

Equity includes a negative difference from exchange rates of EUR 1.8 million. The amount is calculated according to Section 308 (a) of the German Commercial Code and results from currency translation of Wepa Professional Piechowice S.A. and Winfried Ltd. which are included in the consolidation scope.

Difference resulting from the capital consolidation

The position difference from capital consolidation decreased by EUR 0.5 million in the first-three months of 2016. This applies mainly to the initial consolidation of plant Troyes.

Provisions

Provisions were created for all identifiable risks and uncertain liabilities. They were recorded with an amount in line with a reasonable business assessment.

Notes and liabilities to banks

In 2013 Wepa Hygieneprodukte GmbH issued notes (Senior Secured Note) with a volume of EUR 327 million and a term of 7 years. The notes should be repaid in one sum no later than 15 May 2020. Simultaneously with the issuance of the notes Wepa Hygieneprodukte GmbH and a banking consortium agreed on a revolving working capital facility in the sum of EUR 90 million. By a loan agreement from December 2015 between Wepa Hygieneprodukte GmbH as well as other affiliated companies and a banking consortium, a revolving investment facility in the sum of EUR 60 million was made available.

The revolving working capital facility as at March 31, 2016 is used with EUR 20 million unchanged as at December 31, 2015. Furthermore the revolving working capital facility is used for securities in the amount of EUR 7.5 million. The revolving investment facility has not been used.

Bank liabilities decreased as at March 31, 2016 by EUR 1.5 million to EUR 42.0 million.

Notes to the consolidated statement of income

Sales revenues

Total sales revenues increased by EUR 15.7 million from EUR 223.0 million in the first 3 month period ended March 31, 2015 to EUR 238.7 million in the first 3 month period ended March 31, 2016. In total the increase is based on a higher sales volume of finished goods, mainly as a result of the acquisition of the production site in Troyes, and a slight increase in sales prices. Sales of semi-finished goods are behind the sales figures of the previous year as we used an increased proportion for our own production.

Other operating income

Other operating income increased by EUR 0.3 million from EUR 2.9 million in the first 3 month period ended March 31, 2015 to EUR 3.2 million in the first 3 month period ended March 31, 2016. The higher other operating income mainly contains the release of provisions, realized and unrealized gains of currency translations in GBP and PLN, reductions of bad debt allowances as well as the release of negative goodwill from capital consolidation.

Cost of materials

Cost of materials increased by EUR 10.8 million from EUR 131.1 million in the first 3 month period ended 31, 2015 to EUR 141.9 million in the first 3 month period ended March 31, 2016. This increase is mainly a result of the increase in the total operating performance, which is also driven by the two new paper machines in Lille and Marsberg-Giershagen as well as the paper machine in Troyes. The new paper machines led to an insourcing of paper capacity and the reduction of external purchase of semi-finished products. In total the increase of EUR 12.3 million of raw materials and supplies is opposed by a decrease of EUR 1.5 million in cost of third-party services as a result of lower market prices and the optimization of the energy consumption.

Personnel expense

Personnel expenses increased by EUR 2.0 million from EUR 36.9 million in the first 3 month period ended March 31, 2015 to EUR 38.9 million in the first 3 month period ended March 31, 2016. The increase in personnel expenses relates mainly to the acquisition of the production site in Troyes, additional employees to operate the new paper machines in Lille and Marsberg-Giershagen as well as tariff salary increases and costs for additional shifts at some productions sites. On average 2,884 employees were employed at the WEPA Group in the first 3 month as at March 31, 2016. An average of 2,722 employees were employed at the WEPA Group in the first 3 month as at March 31, 2015.

Other operating expenses

Other operating expenses increased by EUR 3.6 million from EUR 32.5 million in the first 3 month period ended March 31, 2015 to EUR 36.1 million in the first 3 month period ended March 31, 2016. In total, other operating expenses shows an increase in selling expenses and third-party services as well as an increase in losses from currency translation opposed by decreases in expenses for disposals of intangible assets.

Events after the reporting period

No significant events occurred after the reporting period.

Arnsberg, April 21, 2016

Wepa Hygieneprodukte GmbH, Arnsberg

The Management Board

Martin Krengel	Walter Hirner	Ralph Dihlmann	Dr. Hendrik Otto

Wepa Hygieneprodukte GmbH, Arnsberg

Consolidated financial statements
for the financial year from
January 1, 2015 to December 31, 2015

—English Translation of the German Original—

The following audit opinion is a translation of the German-language audit opinion (Bestätigungsvermerk), which refers to the consolidated financial statements and the group management report of Wepa Hygieneprodukte GmbH, prepared on the basis of accounting principles generally accepted in Germany (German GAAP) as of and for the year ending December 31, 2015 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages. The group management report is neither included nor incorporated by reference in this offering memorandum.

Audit Opinion

We have audited the consolidated financial statements prepared by the Wepa Hygieneprodukte GmbH, Arnsberg, comprising of the balance sheet, statement of income, cash flow statement, statement of changes in shareholders' equity and the notes to the consolidated financial statements as well as the group management report, for the fiscal year from 1st January to 31st December 2015. It is the responsibility of the parent company's management to prepare the consolidated financial statements and the group management report in accordance with German Commercial Law. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch) and the generally accepted German auditing standards promulgated by the German Institute of Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit as such, that misstatements and violations materially affecting the presented view of the company's net assets, financial position and result of operations, as conveyed in the consolidated financial statements and the group management report, taking into account principles of proper book-keeping, are detected with reasonable assurance. Knowledge of the group's business activities and its economic and legal environment, as well as expectations as to possible misstatements, is taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the individual financial statements included in the consolidated financial statements, the demarcation of the scope of consolidation, the consolidation principles applied and the significant estimates made by the legal representatives of the parent company, as well as an evaluation of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our assessment, based on knowledge gained during the audit, the consolidated financial statements are in accordance with legal requirements and the supplementary provisions of the articles of association and convey a true and fair view of the net assets, financial position and results of operations of Wepa Hygieneprodukte GmbH, Arnsberg, while observing principles of proper accounting. The group management report is in line with the annual financial statements and conveys an accurate view of the company's position and the risks and opportunities of future development."

Dortmund, 16th February 2016

Fischer	Lensing
Auditor	Auditor

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2015

Assets

				12/31/2015 EUR	12/31/2014 EUR
A.			**Fixed assets**		
	I.		Intangible assets		
		1.	Acquired concessions, industrial property rights and values as well as licenses on such rights and values	5,489,726.83	6,386,926.45
		2.	Goodwill	732,211.17	851,523.08
		3.	Advance payments	710,438.56	577,784.96
				6,932,376.56	7,816,234.49
	II.		Tangible assets		
		1.	Land, rights equivalent to real property and buildings including buildings on leased land	134,651,310.70	93,149,122.36
		2.	Technical equipment and machinery	301,333,056.94	226,085,874.59
		3.	Other equipment, office furniture and fittings	7,110,720.64	3,368,939.14
		4.	Advance payments made and assets under construction	17,216,630.22	39,906,513.03
				460,311,718.50	362,510,449.12
	III.		Financial assets		
		1.	Shares in affiliated companies	25,148.31	25,148.31
		2.	Loans to affiliated companies	28,910,000.00	274,252.48
		3.	Shares in associated companies	38,302,347.80	62,947,357.16
		4.	Loans to associated companies	2,467,010.98	9,251,585.57
		5.	Other loans	260,109.45	108,962.69
				69,964,616.54	72,607,306.21
				537,208,711.60	442,933,989.82
B.			**Current assets**		
	I.		Inventory		
		1.	Raw materials and supplies	69,584,532.83	59,029,928.98
		2.	Semi-finished goods	22,354,247.70	17,960,962.42
		3.	Finished goods and merchandise	43,179,443.41	40,477,710.12
				135,118,223.94	117,468,601.52
	II.		Receivables and other assets		
		1.	Trade receivables	51,495,748.14	71,775,954.03
		2.	Receivables from affiliated companies	393,763.84	432.33
		3.	Receivables from associated companies	2,577,833.06	916,632.18
		4.	Receivables from Shareholders	4,073,575.19	5,715,601.46
		5.	Other assets	38,036,911.93	32,488,566.87
				96,577,832.16	110,897,186.87
	III.		Cash on hand, deposits with banks and cheques	34,704,132.06	32,881,623.56
				266,400,188.16	261,247,411.95
C.			**Prepaid expenses**	1,051,561.36	979,986.70
				804,660,461.12	**705,161,388.47**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

Liabilities

			12/31/2015	12/31/2014
			EUR	EUR
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	19,203,152.99	19,203,152.99
	III.	Revenue reserves	1,546,043.06	1,786,384.74
	IV.	Retained earnings	162,243,849.07	118,638,637.74
	V.	Difference in equity from currency translation	1,135,605.89	−42,002.27
			192,228,651.01	147,686,173.20
B.		**Difference from capital consolidation**	30,043,567.22	2,485,530.28
C.		**Provisions**		
	1.	Provisions for pensions and similar obligations	2,211,940.00	7,196,193.76
	2.	Tax provisions	21,508,172.44	19,381,003.57
	3.	Other provisions	61,441,336.75	59,375,905.83
			85,161,449.19	85,953,103.16
D.		**Liabilities**		
	1.	Notes	327,000,000.00	327,000,000.00
	2.	Liabilities to banks	43,500,780.73	27,514,499.03
	3.	Trade payables	88,241,102.08	69,530,768.06
	4.	Liabilities to associated companies	0.00	10,628,085.81
	5.	Other liabilities —of which for taxes: EUR 6,566,954.90 (prior year: EUR 7,386,247.32) —of which for social security: EUR 1,732,791.95 (prior year: EUR 1,797,543.21)	23,792,909.17	18,305,953.25
			482,534,791.98	452,979,306.15
E.		**Prepaid income**	2,666,066.68	3,257,037.42
F.		**Deferred tax liabilities**	12,025,935.04	12,800,238.26
			804,660,461.12	**705,161,388.47**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

		01.01.-12.31.2015	01.01.-12.31.2014
		EUR	EUR
1.	Sales revenues	924,877,174.39	858,311,410.55
2.	Increase or decrease of inventory of finished goods and semi-finished goods	1,016,487.34	6,670,783.25
3.	Total operating performance	925,893,661.73	864,982,193.80
4.	Other internally produced and capitalized assets	0.00	21,510.22
5.	Other operating income	22,435,799.24	24,580,108.50
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	−423,348,867.55	−393,247,068.38
	(b) Third-party service costs	−112,646,275.05	−114,742,004.83
		−535,995,142.60	−507,989,073.21
7.	Personnel expense		
	(a) Salaries and wages	−120,711,199.82	−107,840,126.61
	(b) Social security contributions and retirement and assistance costs	−30,005,219.23	−25,634,351.14
	—of which for retirement costs: EUR 535,191.00 (prior year: EUR 519,377.10)	−150,716,419.05	−133,474,477.75
8.	Amortization and depreciation on intangible and tangible assets	−39,642,482.65	−32,282,109.94
9.	Other operating expenses	−136,503,779.74	−130,324,910.60
10.	Earnings from associated companies	6,283,710.00	3,890,962.87
11.	Income from loans under financial assets	704,596.63	291,348.23
12.	Other interest and similar income	759,128.23	1,144,320.07
13.	Write-down on financial assets	0.00	−8,462,397.22
14.	Income from disposal of financial assets	7,305,787.74	0.00
15.	Interest and similar expenses	−28,562,657.53	−32,299,810.63
16.	Earnings from ordinary activities	71,962,202.00	50,077,664.34
17.	Extraordinary expenses	0.00	−358,697.96
18.	Extraordinary income/(expenses)	0.00	−358,697.96
19.	Income taxes	−11,053,785.53	−14,641,761.39
	—of which deferred taxes: EUR 3,495,672.84 (prior year: EUR 174,970.61)		
20.	Other taxes	−7,143,546.82	−3,765,833.76
21.	Net income for the period	53,764,869.65	31,311,371.23
22.	Income carried forward	108,238,637.74	87,341,887.51
23.	Additions to revenue reserves	−192,003.14	−14,621.00
24.	Withdrawals from revenue reserves	432,344.82	0.00
25.	Retained earnings	162,243,849.07	118,638,637.74

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 21

Classification Plan II ("indirect method")

Information in EUR thousands			**01.01.-12.31.2015**	**01.01.-12.31.2014**
1.		Consolidated net income before extraordinary items	53,765	31,670
2.	+	Amortization / depreciation of fixed asset items	39,642	40,745
3.	+/−	Increase / decrease in provisions	2,842	1,315
4.	+/−	Other non-cash expenses / income	−8,584	−7,060
5.	−/+	Gain / loss from the disposal of fixed asset items	−7,197	−595
6.	−/+	Increase / decrease in inventories, trade receivables and other assets	13,807	−4,874
7.	+/−	Increase / decrease in trade payables and other liabilities	−5,359	213
8.	+/−	Interest expenses / interest income	27,099	30,864
9.	+/−	Other income from associated companies	−6,284	−3,891
10.	+/−	Income tax expense / income	11,054	14,642
11.	+/−	Expenses for / income from extraordinary items	0	−359
12.	−/+	Income taxes paid	−16,279	−3,735
13.	**=**	**Cash flow from operating activities**	**104,507**	**98,936**
14.	+	Proceeds from disposal of intangible assets	63	0
15.	−	Payments to acquire intangible assets	−2,442	−2,116
16.	+	Proceeds from disposal of tangible assets	1,311	2,276
17.	−	Payments to acquire tangible assets	−83,846	−82,055
18.	+	Proceeds from disposal of financial assets	18,481	2,859
19.	−	Payments to acquire financial assets	−18	0
20.	−	Payments to acquire entities included in the basis of consolidation	−23,946	−19,500
21.	+	Interest received	357	1,436
22.	−/+	Dividends received	−369	0
23.	**=**	**Cash flow from investing activities**	**−90,409**	**−97,101**
24.	−	Dividends paid to shareholders of parent entity	−10,400	−6,200
25.	+	Receipts from the issue of notes and raising (financial) loans	0	826
26.	−	Payments for the repayment of loans and taking out (financial) credits	−3,782	0
27.	−	Interest paid	−22,664	−28,102
28.	**=**	**Cash flow from financing activities**	**−36,846**	**−33,476**
29.		Net change in cash funds	−22,749	−31,641
30.	+/−	Effects on cash funds of changes in the basis of consolidation	4,674	426
31.	+/−	Effect on cash fund of exchange rate movements and re-measurements	94	−2
32.	+	Cash funds at the beginning of the period	32,583	63,800
33.	**=**	**Cash funds at end of period**	**14,602**	**32,583**
		Cash and cash-equivalents	*34,704*	*32,882*
		Short term liabilities against banks	*−20,102*	*−299*

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Subscribed capital	Capital reserve	Revenue reserve	Retained earnings	Difference in equity from currency translation	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 12/31/2013	**8,100,000.00**	**25,403,152.99**	**1,771,763.74**	**87,341,887.51**	**−1,610,932.37**	**121,005,871.87**
Payments	0.00	−6,200,000.00	0.00	0.00	0.00	−6,200,000.00
Addition to the item	0.00	0.00	0.00	0.00	1,568,930.10	1,568,930.10
Change of position	0.00	0.00	14,621.00	−14,621.00	0.00	0,00
Consolidated income (+) / loss (−)	0.00	0.00	0.00	31,311,371.23	0.00	31,311,371.23
As at 12/31/2014	**8,100,000.00**	**19,203,152.99**	**1,786,384.74**	**118,638,637.74**	**−42,002.27**	**147,686,173.20**
Payments	0.00	0.00	0.00	−10,400,000.00	0.00	−10,400,000.00
Addition to the item	0.00	0.00	0.00	0.00	1,177,608.16	1,177,608.16
Change of position	0.00	0.00	−240,341.68	240,341.68	0.00	0.00
Consolidated income (+) / loss (−)	0.00	0.00	0.00	53,764,869.65	0.00	53,764,869.65
As at 12/31/2015	**8,100,000.00**	**19,203,152.99**	**1,546,043.06**	**162,243,849.07**	**1,135,605.89**	**192,228,651.01**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

General information regarding the consolidated financial statements

These consolidated financial statements were prepared in accordance with Sections 298 (1) in conjunction with Sections 242 et seq. and Sections 264 et seq. of the HGB (German Commercial Code). The legal form specific requirements laid down in the German Limited Companies Act are taken into account.

The consolidated statement of income has been prepared using the total cost accounting method (Section 298 (1) and 275 (2) of the German Commercial Code). For ease of presentation, a separate item has been added to the statement of income named 'Income from the disposal of financial assets' (Section 265 (5) German Commercial Code).

The financial year is the calendar year.

Disclosures regarding the scope of consolidation

Parent company

Wepa Hygieneprodukte GmbH, Arnsberg, is the parent company and therefore prepares the consolidated financial statements. The consolidated financial statements are published in the German Electronic Federal Gazette.

Consolidated companies

The following companies were included in the consolidated financial statements in the **full consolidation**

Name and registered office of the company	Share of capital in %
Wepa Professional GmbH, Arnsberg*)	100
Wepa Leuna GmbH, Arnsberg*)	100
Wepa Papierfabrik Sachsen GmbH, Kriebstein*)	100
Wepa Produktion GmbH & Co. KG, Arnsberg*)	100
Wepa Professional Piechowice S.A., Piechowice, Poland	100
Wepa International GmbH, Arnsberg*)	100
Wepa Kraftwerk GmbH, Arnsberg*)	100
Wepa Italia SRL, Capannori (Lucca), Italy	100
Wepa France S.A.S., Bousbecque, France	100
Winfried Ltd., Harrow, United Kingdom	100
Wepa Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Wepa Leuna Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Wepa Sachsen Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG, Grünwald	100
Malachit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100

* Exemptions in accordance with Section 264 (3) of the *HGB* (German Commercial Code) or Section 264b *HGB* (German Commercial Code)

As part of the **equity method**, the following associated companies were included in the consolidated financial statements:

Name and registered office of the company	Equity interest (%)	Voting rights (%)
Northwood & Wepa Ltd., Bridgend, United Kingdom	50	50
NW Property LLP, Harrow, United Kingdom	50	50

Wepa Troyes S.A.S. was acquired in the current financial year and merged into Wepa Lille S.A.S. Wepa Lille S.A.S. was subsequently renamed to Wepa France S.A.S. Wepa Troyes S.A.S. was a production and processing company for hygiene paper.

At the time of acquisition, Wepa Troyes S.A.S. reported assets in the amount of kEUR 51,769, inventory in the amount of kEUR 8,564 and receivables and other assets in the amount of kEUR 13,051 (all figures after revaluation) [kEUR: thousands of euros]. It reported equity of kEUR 62,039, provisions of kEUR 1,591 and liabilities of kEUR 9,753.

In May 2015, Marsberger Kraftwerk GmbH retracted all shares held by Wepa Hygieneprodukte GmbH in return for a settlement. The company (Marsberger Kraftwerk GmbH), which was accounted for using the equity method until that date, was deconsolidated.

By purchase agreement dated 3 September 2015, Wepa International GmbH sold its 49% share in GC & Wepa S.L. The company, which was accounted for using the equity method until that date, was deconsolidated.

Deconsolidation of the two joint ventures decreased financial assets by kEUR 32,351 year-on-year and resulted in a gain on disposal of financial assets of kEUR 7,331.

In the current financial year, the shares in Contreda-Papier GmbH were sold; Contreda Papier GmbH had not been consolidated for reasons of immateriality.

The total cost for payments regarding additions to the consolidation scope was kEUR 30,447. Amounts not yet paid as of the balance sheet date totalling kEUR 6,500 are included in other liabilities.

The following companies are not included in the consolidated financial statements due to their negligible significance for the Group's net assets, financial position, results of operations and cash flows:

Wepa Produktion Verwaltungs-GmbH
Wepa UK Limited

Disclosures regarding consolidation methods

The financial statements of the individual companies have been prepared according to uniform accounting and valuation principles in order to be included in the consolidated financial statements.

Capital consolidation before 2010 was undertaken using the book value method by offsetting the acquisition costs of the investment against the Group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries were reflected at their book values regardless of the level of the minority share.

Capital consolidation beginning 2010 is undertaken by offsetting the acquisition costs of the investment against the Group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with Section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation are disclosed and accounted for in accordance with the underlying assets and liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off. Remaining differences on the liabilities side are treated in accordance with Section 309(2) of the German Commercial Code or German Accounting Standard GAS 4.

Significant investments are recorded according to the equity method (book value method), if the company holds 20% to 50% of voting rights and is in a position to exercise considerable influence on the company invested in (associated company). The book value of the consolidated associated companies according to the equity method is continued in line with the share in equity of the investment company.

The positive difference between the book value and the proportionate equity resulting from the at equity consolidation which is continued in the book value of the at equity investment of Northwood & Wepa Ltd. and NW Property LLP amounts to kEUR 24,272 on initial consolidation; proportionate goodwill amounts to kEUR 10,021 and is amortized on a straight-line basis over five years.

The goodwill resulting from the at equity consolidation as per 31.12.2015 totaled kEUR 6,514.

Shares in non-consolidated companies are valued at acquisition costs or at the lower attributable fair market value.

Intra-Group interim profits, sales, expenses and income, as well as all receivables and liabilities between the consolidated companies, are eliminated.

Annual financial statements of consolidated companies denominated in foreign currency are converted based on Section 308a of the German Commercial Code.

Accordingly, the assets and debts in the consolidated financial statements are converted at the rate valid on the reporting date, equity items at historic rates and expenses and income at the average annual rate. Resulting conversion differences are stated without affecting the operating result under the item "Difference in equity from currency translation" in equity. As a matter of principle, exchange rate changes in the case of intra-Group receivables and liabilities are recorded without an effect on the result.

Disclosures on accounting and valuation methods

The following accounting and valuation methods were relevant in preparing the consolidated financial statements.

Intangible assets acquired against payment are capitalized at acquisition cost and, if subject to wear and tear, amortized over the expected useful life of the asset using the straight-line method.

Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, as according to our plans we assume long-term use of the acquired values. Current developments are reflected by extraordinary depreciation, if necessary.

Tangible assets are valued at acquisition cost, taking into account ordinary depreciation. Extra-ordinary depreciation is taken into consideration in the case of a permanent loss in value.

Financial assets—with the exception of shares in associated companies—are measured at acquisition cost. If the fair value of the financial assets at the balance sheet date is permanently below acquisition cost, then the former is recorded.

Raw materials and supplies as well as **merchandise** are valued at the lower of cost or market value.

Semi-finished goods are measured at production cost; these include in addition to direct manufacturing and material costs, appropriate portions of production-, material- and administrative overhead costs. Interest on debt is not included in production costs.

The valuation of **finished goods** is based on the inverse method by deducting any upcoming direct selling costs and distribution overheads as well as the profit margin from the net sales price.

Inventory risks are taken into account by considering appropriate valuation allowances.

Receivables and other assets are valued at the lower of nominal value or the fair value at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks, the general credit risk is covered by a general allowance. There are no non-interest-bearing receivables and receivables carrying below-market interest rates with a term of more than one year. Receivables in foreign currency with a residual term of less than one year are converted at the average spot exchange rate on the balance sheet date. Receivables in foreign currency with a maturity of more than one year are accounted for with the lower value of acquisition costs or the value resulting from the conversion with the average spot exchange rate at the balance sheet date.

Trade receivables are sold as part of ABS transactions by Wepa Hygieneprodukte GmbH and various subsidiaries. In that respect the credit rating risk passes to the buyer. Accounts receivable are decreased in the corresponding amount. The administration of the receivables is assumed by the respective subsidiary in favour of the buyers.

The **subscribed capital** has been paid up in full and is stated at the nominal value.

Pension provisions for vested and current pension commitments are calculated using the projected unit credit method based on the "Richttafeln 2005 G" (Generation Mortality Tables) of Professor Dr. Klaus Heubeck. They are calculated in accordance with Section 253(1) sentence 2 and Section 253(2) of the German Commercial Code.

With regard to the discounting, the average market interest rate, with a residual term of 15 years, at 3.92% (previous year: 4.66%) was applied in accordance with the German regulation on discounting provisions dated 18. November 2009. Anticipated salary and pension increases were reflected at a rate of 2.0% (previous year: 2.0%) and 2.0% (previous year: 2.0%), respectively. As in the previous year no fluctuation rate was considered.

Income or expenses resulting from changes in the discount rate are recognized under the financial income.

Assets (plan assets) which are to be used only to meet pension obligations and which are protected from access by all other creditors are offset against the provisions at their fair market value.

Long-term obligations of the foreign companies to their employees were calculated according to country specific circumstances in analogue application of the rules of the German Commercial Code. The applicable obligations in Italy were shown—contrary to the previous year—under other provisions.

Tax provisions and other provisions were considered for all identifiable risks and uncertain liabilities. They have to be assessed at the amount which is required to be paid according to a reasonable commercial assessment taking into account price and cost increases. Provisions with a remaining maturity of more than one year, are discounted with the average market interest rate for the past seven years corresponding to their residual maturity.

Liabilities are shown at their settlement amounts. Liabilities in foreign currency with a maturity of less than one year are translated at the average spot exchange rate on the balance sheet date. Liabilities in foreign currency with a maturity of more than one year are accounted for at the balance sheet date with the higher value of the acquisition costs or the value resulting from the conversion with the average spot exchange rate.

For the determination of **deferred taxes** caused by temporary or quasi-permanent differences between the commercial and the tax based valuation of assets and liabilities or caused by tax loss carry forwards and tax credits, the amounts of the highly probable future tax debits or tax credits are calculated using the company individual tax rates at the time when the differences will be recognized, these amounts are not discounted. The capitalization of deferred taxes in the financial statements of the consolidated companies was applied in accordance with the existing disclosure option under Section 274(1) of the German Commercial Code. For consolidation purposes, deferred tax assets and liabilities were recognized and carried forward accordingly, pursuant to Section 306 (1) of the German Commercial Code. As per 31 December 2015, the deferred tax assets and tax liabilities were netted in accordance with the previous year, the surplus is shown as deferred tax liability.

Notes to the consolidated balance sheet

Fixed assets

The development of the individual fixed asset lines, stating the depreciation and amortization of the fiscal year are reflected in the consolidated statement of changes in fixed assets (Attachement 1 to the consolidated notes).

As at 31 December 2015, all loans to affiliated companies were loans to the shareholder, Wepa Industrieholding SE.

Trade receivables and other assets

As in the previous year the remaining term of the receivables is less than one year. Receivables from shareholders also relate to affiliated companies.

Equity

The subscribed capital is kEUR 8,100.

In the financial year, a dividend of kEUR 10,400 was distributed to the shareholder from Wepa Hygieneprodukte GmbH's income for 2014. The remainder of the income for the period was carried forward to the following year.

At Wepa Italia Srl, kEUR 432 of retained earnings was offset against net income in accordance with Italian statutory requirements. Pursuant to French statutory requirements, Wepa France S.A.S. transferred kEUR 192 from net income to retained earnings.

Equity also includes the difference in equity from currency translation at an amount of kEUR 1,136 resulting from currency conversion in accordance with Section 308 of the German Commercial Code, which is to be allocated in full to our subsidiaries in Poland and Great Britain.

Income carried forward of kEUR 108,239 from the previous year is stated in the consolidated financial statements.

By taking account of the statutory distribution limit in the amount of deferred tax assets of kEUR 2,922 pursuant to Section 268 (8) of the German Commercial Code, the shareholder is entitled to a maximum payment of kEUR 57,412 from Wepa Hygieneprodukte GmbH.

All changes in equity are shown in the consolidated statement of changes in shareholders' equity (Attachment to the notes to the consolidated financial statements).

Difference resulting from the capital consolidation

The capital consolidation of Wepa Troyes S.A.S. on 1 March 2015 resulted in a negative capital consolidation difference of kEUR 31,593. This negative capital consolidation difference stated under liabilities is reversed—apart from an amount of kEUR 3,168 which is set aside for anticipated future maintenance and integration expenses—over 16 years in accordance with the remaining useful lives of the depreciable assets. Of the amount of kEUR 3,168, kEUR 2,168 was recognized in the statement of income in the financial year as expenses incurred.

Development of the negative capital consolidation difference (in thousands of euros—kEUR)	31 Dec. 2015	31 Dec. 2014
Gross amount at beginning of financial year	11,733	3,595
Accumulated reversal in prior years	9,247	1,389
Net amount at beginning of financial year	**2,486**	**2,206**
Additions during the current financial year	31,599	8,137
Reversal during the financial year	4,041	7,858
Net amount at end of financial year	**30,043**	**2,486**
Gross amount at end of financial year	43,331	11,733
Accumulated reversal	13,287	9,247

The differences are shown as a separate item below equity according to Section 301 (3) *HGB*.

Provisions

Significant individual items included in **other provisions** are listed as follows:

All amounts in thousands of euros (kEUR)	31 Dec. 2015	31 Dec. 2014
Provision for		
Employee benefits	25,148	13,781
Energy and disposal	8,910	10,078
Sales rebates	8,599	12,033
Anticipated losses from hedging transactions	5,186	5,877
Outstanding purchase invoices	3,802	6,770
Litigation costs	2,967	3,037

In order to improve the transparency of the company's financial position, non-current employee benefits in Italy ('Trattamento di fine rapporto') in the amount of kEUR 5,236 were reclassified from pension provisions to other provisions (employee benefits) in the current financial year.

Cash funds invested with Allianz Lebensversicherungs-AG (plan assets) are to be used as insolvency insurance for employee entitlements related to partial retirement. These deposits determined according to actuarial principles are therefore not reported under financial assets, but are offset against the provisions for partial retirement obligations in the amount of their fair value in accordance with Section 246(2) of the German Commercial Code (see table below).

Acquisition cost of offset assets	Fair value of offset assets	Repayment amount of offset liabilities
Total	Total	Total
kEUR 1,097	kEUR 835	kEUR 3,522

Income offset in accordance with Section 246 (2) *of the German Commercial Code* amount to kEUR 9.

Liabilities

The terms of the liabilities are stated in the consolidated payables ageing report (Attachement 2 to the notes).

Deferred tax liabilities

Deferred tax assets and liabilities as per 31 December 2015 refer to the following balance sheet items:

	kEUR
Deferred tax assets	
Loss carry forwards and tax credits	10,106
Other provisions	4,655
Other items	516
Subtotal deferred tax assets	**15,277**
Deferred tax liabilities	
Tangible assets	−27,013
Other items	−290
Subtotal deferred tax liabilities	**−27,303**
Net deferred tax assets and liabilities	**−12,026**

The calculation was based on individual company tax rates between 19% and 33.3%.

Securities

By way of the credit agreement dated 29. April 2013 (amended on 18. February 2015 as well as 18. December 2015) between Wepa Hygieneprodukte GmbH, Arnsberg, as well as other affiliated companies and Commerzbank AG, Deutsche Bank AG London Branch and HSBC Bank plc, a revolving working capital facility (facility agreement) in the sum of kEUR 90,000 was made available. This working capital facility is used for securities in the amount of kEUR 7,798.

Furthermore Wepa Hygieneprodukte GmbH issued notes in 2013 in the amount of kEUR 327,000 for a term of seven years, which must be repaid in one sum no later than 15 May 2020.

By way of credit agreement dated 18. December 2015 between Wepa Hygieneprodukte GmbH, Arnsberg, as well as other affiliated companies and Commerzbank AG, Deutsche Bank AG London Branch and HSBC Trinkaus und Burkhardt AG, a revolving investment facility (facility agreement) in the sum of kEUR 60,000 was made available. This credit line was not used as at 31 December 2015.

For these liabilities, the following collaterals were made available, which are administered by Commerzbank AG as "Security Agent":

Mortgages on real property of various domestic subsidiaries of Wepa Hygieneprodukte GmbH, pledging of all shares of subsidiaries, global assignment of receivables from insurance claims and claims arising from intra-Group loans, pledging of all domestic accounts (to the extent that they are not pledged for external receivables financing) as well as the collateral assignment of fixed assets of Wepa Hygieneprodukte GmbH and various subsidiaries.

Notes to the consolidated statement of income

Sales revenues

Sales by geographical markets—which are very homogeneous in terms of their fields of activity:

	2015	2014
	kEUR	kEUR
Sales revenues Germany	378,511	365,929
Sales revenues outside Germany	546,366	492,382
Total sales revenues	**924,877**	**858,311**

Other operating income

The other operating income contains the dissolution of the difference to be stated as a difference from the capital consolidation of kEUR 4,041 (prior year: kEUR 7,858, of which a non-recurring amount of kEUR 7,487 from capital consolidation of Winfried Ltd.). Furthermore, income relating to other periods of kEUR 5,115 (prior year: kEUR 7,120) is shown, which includes reimbursements for energy and electricity price compensation as well as income from tax audits. Income from foreign currency translation amounts to kEUR 2,117 (prior year: kEUR 353) and is primarily attributable to realized and unrealized gains on transactions in GBP and PLN. The release of provisions resulted in income of kEUR 3,565 (prior year: kEUR 1,502).

Amortization and depreciation on intangible and tangible assets

The composition of the depreciation of the business year on intangible assets and property, plant and equipment in the sum of kEUR 39.642 is stated in the consolidated statement of changes in fixed assets (Attachment 1 to the consolidated notes). Non-scheduled depreciation in the financial year amounted to kEUR 1,709.

The previous year's depreciation included depreciation of financial assets in the amount of kEUR 8,462. These financial assets were sold in the current financial year.

Other operating expenses

Expenses resulting from currency conversion amount to kEUR 1,323 (prior year: kEUR 1,061). Expenses relating to other periods amount to kEUR 871 (prior year: kEUR 757).

Income from the disposal of financial assets

This item includes income from the disposal of the joint ventures Marsberger Kraftwerk GmbH, GC & Wepa S.L. and Contreda GmbH.

Interest and similar expenses

The addition of interest on provisions gives rise to interest expenses of kEUR 516 (prior year: kEUR 485).

Income taxes

Income taxes contain deferred tax income in the sum of kEUR 3,496 (prior year: kEUR 175).

Other financial obligations

The total amount of other financial obligations (obligations resulting from rental and leasing agreements) totalled kEUR 15,335 as per 31 December 2015 (prior year: kEUR 17,139).

In total kEUR 6,740 falls due within one year.

The commitments from orders as per 31 December 2015 are within the customary industrial framework.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate, currency and commodity risks from booked, pending and planned underlying transactions.

Currency and raw material procurement risks are hedged exclusively in the name and on account of Wepa Hygieneprodukte GmbH.

The booked and pending underlying transactions can be combined with the hedging transactions as a micro hedge and portfolio hedge in German Commercial Code valuation units, separated into commodity, currency and interest rate hedging instruments. The same applies to planned transactions underlying a macro- or portfolio hedge. The German Commercial Code valuation units are valued individually as per the balance sheet date.

The valuation methods and assumptions underlying the calculation of the market value are the following:

FX forwards and FX swaps are valued at the forward exchange rate at the balance sheet date. Options are valued using the Black-Scholes- or Binomial Models according to their structure. Instruments designed to hedge interest rate and commodity risks are valued by discounting future cash flows. Discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against profit and loss at the time of payment or when accrued at the balance sheet date.

According to the principles of valuation under Commercial Law, a negative valuation result of the relevant hedging transaction leads to a provision for contingent losses, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

The WEPA Group strives to achieve a balanced risk / opportunity relationship. Depending on the assessment of the market situation, 50% to 100% of total currency or financing requirements expected over the course of a year are therefore hedged, in order to be able to respond to unforeseen developments in interest rates and currencies when calculating prices. In the case of raw materials, the purchase prices are hedged via commodity swaps. In this respect hedging is endeavoured that is conditional on the market situation over the course of a year and is within a range of 30% and 100%. The primary goal is to hedge the calculation rates on which the planning is based.

As at the balance sheet date the following derivative financial positions existed:

		Nominal value/volume		Market value
Interest rate derivatives	kEUR	119,802	kEUR	−3,164
			kEUR	61
Currency derivatives	kEUR	323,426	kEUR	−548
			kEUR	11,668
Commodity derivatives	MT	318,600	kEUR	−4,182
			kEUR	776

MT: tons (metric tons)

Insofar as no valuation units apply, provisions of kEUR 5,186 (previous year: kEUR 5,871) are considered for negative market values. Nominal amounts of the derivative financial transactions are equivalent to the purchase- or sale amounts or the contract values of the hedged underlying transactions.

If a direct hedging relationship exists, the derivatives can be combined as a valuation unit with the underlying or planned transactions. The WEPA Group has opted for the so-called net hedge presentation method in reflecting the valuation units in the balance sheet. As per balance sheet date, valuation units only existed for the interest rate swaps shown below.

Of the above-mentioned hedging volumes, the following volumes were combined to valuation units with the underlying transactions:

Hedge of interest rate exposure of liabilities from receivables-based financing using payer swaps:

	Volume	Maturity	Type of Valuation Unit	Volume of Hedging Instrument	Maturity no later than	Market Value of Hedging Instrument
Working Capital Financing	55,000,000	30.06.2017	Portfolio hedge	55,000,000	30.06.2017	kEUR −2,779

Hedge of interest rate exposure of lease liabilities using payer-swaps:

	Volume	Maturity	Type of Valuation Unit	Volume of Hedging Instrument	Maturity no later than	Market Value of Hedging Instrument
Leasing	4,802,029	30.12.2017	Portfolio hedge	4,802,029	30.12.2017	kEUR −120

Due to the fact that the key features of the designated underlying transactions and hedging instruments largely constitute a valuation unit, the changes in value or cash flow generally offset one another. The valuation of interest rate hedges is subject to inefficiencies in the amount of kEUR 81. The hedge always exists for the entire term of the underlying transaction. In the case of interest rate hedges, hedge effectiveness is determined using the dollar offset method. The effectiveness of the valuation unit is reviewed retrospectively based on the mark-to-market valuations of the underlying transaction and hedging instrument (dollar offset method). This process involves a comparison of the changes in value of the underlying transaction and the hedging instrument

The transactions, which are planned with a high probability of materialising and are included as underlying transactions in a valuation unit, involve future commodity purchases as well as future working capital requirements.

Disclosures regarding the consolidated statement of cash flow

Wepa Hygieneprodukte GmbH applied German Accounting Standard 21 (GAS 21) for the first time in the reporting year. The financing purposes fund is defined in the standard as cash at hand, deposit with banks and cheques with a maturity of less than three months (kEUR 34,704) less short-term liabilities due to banks as well as other short-term financial loans for the purpose of cash management (kEUR 20,102). In order to allow comparability with the prior year, the prior year figures have been restated in accordance with GAS 21.

Other disclosures

Average number of employees

The company employed an average of 2,816 staff in the business year 2015 (prior year: 2,620), of which 2,200 (prior year: 2,037) were blue collar employees and 617 (prior year: 583) were white collar employees. In addition, 47 (prior year: 45) apprentices were trained for their future career.

Auditor fee

Total fees invoiced by the auditor for the 2015 business year were:

	kEUR
a) Auditing services	398
b) Other attestation services	78
c) Tax advisory services	105
d) Other services	0

Investments / significant holdings

The company holds an indirect or direct significant interest in the following limited liability companies that are not included in the Consolidated Financial Statements:

	Share (%)	Equity	Result 2015
Wepa UK Limited, Harrow Middlesex, United Kingdom	100	kGBP 124*)	kGBP 32*)
Wepa Produktion Verwaltungs-GmbH, Arnsberg	100	kEUR 26	kEUR 0

*) annual Financial Statements as at 31 December 2014 rate on reporting date 31 December 2014: GBP/EUR 0.7789

The investments in Northwood & Wepa Ltd., Bridgend, United Kingdom, and NW Property LLP, Harrow, United Kingdom, are incorporated "at equity" in the consolidated financial statements.

The accounting and valuation methods used by the foreign companies correspond to the respective, local applicable accounting requirements. The summarized balance sheets as per 31 December 2015 as well as the summarized statements of income for 2015 are:

	N&W Ltd.	NW Property LLP
	kEUR	kEUR
Balance sheet*)		
Fixed asset items	66,256	6,138
Current assets	43,137	75
Total assets	**109,393**	**6,214**
Net assets	53,405	596
Current liabilities	55,988	5,617
Total capital	**109,393**	**6,214**
Income statement)**		
Operating result	21,414	493
Financial result	−1,308	−193
Result before Taxes	20,106	300
Taxes	−4,308	0
Year-end result	**15,798**	**300**

*) closing rate . . . 0.73395
**) average annual rate . . . 0.7242

Management Board

Members of the Management Board of Wepa Hygieneprodukte GmbH are:

Martin Krengel, Arnsberg, Chairman of the Management Board of Wepa Industrieholding SE, Managing Director

Walter Hirner, Sundern, Deputy Chairman of the Management Board of Wepa Industrieholding SE, Managing Director

Dr. Hendrik Otto, Düsseldorf; Member of the Management Board of Wepa Industrieholding SE, Managing Director

Ralph Dihlmann, Wetter (Ruhr); Member of the Management Board of Wepa Industrieholding SE, Managing Director

The managing directors are authorized to jointly represent the Company and are exempt from the restrictions of Section 181 of the German Civil Code.

The managing directors did not receive remunerations from the Company or the consolidated companies in the period under review.

Consolidated Financial statements

Wepa Hygieneprodukte GmbH and its affiliates are incorporated in the consolidated financial statements of Wepa Industrieholding SE, Arnsberg. These consolidated financial statements are published in the German Electronic Federal Gazette. WJM Trust GmbH, Arnsberg, is the ultimate parent company of Wepa Industrieholding SE and Wepa Hygieneprodukte GmbH.

Arnsberg, 16 February 2016

Wepa Hygieneprodukte GmbH, Arnsberg

The Management Board

Martin Krengel	Walter Hirner	Ralph Dihlmann	Dr. Hendrik Otto

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS BETWEEN 01/01/2015 AND 12/31/2015

ATTACHMENT 1 TO NOTES

	Accumulated acquisition costs							Accumulated depreciations						Book values	
	01/01/2015	Consolidation group adjustment	Additions	Disposals	Transfer	Currency adjustment	12/31/2015	01/01/2015	Amort. and depr. fiscal year	Disposals	Reclassification	Currency adjustment	12/31/2015	12/31/2015	12/31/2014
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed Assets															
I. Intangible Assets															
1. Acquired concessions, industrial property rights and values as well as licenses on such rights and values	21,542,010.86	97,475.87	1,656,655.38	697,015.86	611,224.57	134.61	23,210,485.43	15,155,084.41	3,199,813.00	634,255.81	0.00	117.00	17,720,758.60	5,489,726.83	6,386,926.45
2. Goodwill	5,352,979.30	0.00	41,886.50	0.00	0.00	0.00	5,394,865.80	4,501,456.22	161,198.41	0.00	0.00	0.00	4,662,654.63	732,211.17	851,523.08
3. Advance payments . .	577,784.96	0.00	710,438.56	0.00	−577,784.96	0.00	710,438.56	0.00	0.00	0.00	0.00	0.00	0.00	710,438.56	577,784.96
	27,472,775.12	**97,475.87**	**2,408,980.44**	**697,015.86**	**33,439.61**	**134.61**	**29,315,789.79**	**19,656,540.63**	**3,361,011.41**	**634,255.81**	**0.00**	**117.00**	**22,383,413.23**	**6,932,376.56**	**7,816,234.49**
II. Tangible assets															
1. Land, rights equivalent to real property and buildings, including buildings on leased land	132,248,653.33	23,832,663.46	1,675,710.61	113,614.21	20,717,690.63	36,506.28	178,397,610.10	39,099,530.97	4,959,536.39	8,212.50	−314,773.64	10,218.18	43,746,299.40	134,651,310.70	93,149,122.36
2. Technical equipment and machinery	555,071,360.60	27,594,062.88	45,959,213.81	1,610,774.69	30,610,118.02	78,525.88	657,702,506.50	328,985,486.01	30,110,096.94	1,214,935.56	−1,488,558.26	−22,639.57	356,369,449.56	301,333,056.94	226,085,874.59
3. Other equipment, office furniture and fittings	14,783,733.07	37,687.51	2,840,805.31	510,425.33	4,250,812.69	2,742.31	21,405,355.56	11,414,793.93	1,211,837.91	136,788.94	1,803,331.90	1,460.12	14,294,634.92	7,110,720.64	3,368,939.14
4. Advance payments made and assets under construction . .	39,935,822.90	62,425.70	33,403,216.55	544,720.96	−55,612,060.95	1,320.77	17,246,004.01	29,309.87	0.00	0.00	0.00	63.92	29,373.79	17,216,630.22	39,906,513.03
	742,039,569.90	**51,526,839.55**	**83,878,946.28**	**2,779,535.19**	**−33,439.61**	**119,095.24**	**874,751,476.17**	**379,529,120.78**	**36,281,471.24**	**1,359,937.00**	**0.00**	**−10,897.35**	**414,439,757.67**	**460,311,718.50**	**362,510,449.12**
III. Financial assets															
1. Shares in affiliated companies	25,148.31	0.00	0.00	0.00	0.00	0.00	25,148.31	0.00	0.00	0.00	0.00	0.00	0.00	25,148.31	25,148.31
2. Loans to affiliated companies	274,252.48	0.00	28,910,000.00	274,252.48	0.00	0.00	28,910,000.00	0.00	0.00	0.00	0.00	0.00	0.00	28,910,000.00	274,252.48
3. Shares in associated companies	71,409,754.38	0.00	6,283,710.00	41,206,749.39	0.00	1,815,632.81	38,302,347.80	8,462,397.22	0.00	8,462,397.22	0.00	0.00	0.00	38,302,347.80	62,947,357.16
4. Loans to associated companies	9,251,585.57	0.00	0.00	7,055,701.06	0.00	271,126.47	2,467,010.98	0.00	0.00	0.00	0.00	0.00	0.00	2,467,010.98	9,251,585.57
5. Other loans	108,962.69	144,517.63	17,629.13	11,000.00	0.00	0.00	260,109.45	0.00	0.00	0.00	0.00	0.00	0.00	260,109.45	108,962.69
	81,069,703.43	**144,517.63**	**35,211,339.13**	**48,547,702.93**	**0.00**	**2,086,759.28**	**69,964,616.54**	**8,462,397.22**	**0.00**	**8,462,397.22**	**0.00**	**0.00**	**0.00**	**69,964,616.54**	**72,607,306.21**
Total fixed assets	**850,582,048.45**	**51,768,833.05**	**121,499,265.85**	**52,024,253.98**	**0.00**	**2,205,989.13**	**974,031,882.50**	**407,648,058.63**	**39,642,482.65**	**10,456,590.03**	**0.00**	**−10,780.35**	**436,823,170.90**	**537,208,711.60**	**442,933,989.82**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED PAYABLES AGEING REPORT

DECEMBER 31, 2015

ATTACHMENT 2 TO NOTES

			as at 12/31/2015 (12/31/2014)	up to 1 year	of which with a remaining term of more than 1 year up to 5 years	over 5 years
			EUR	EUR	EUR	EUR
1.	Notes		327,000,000.00	0.00	327,000,000.00	0.00
			(327,000,000.00)	(0.00)	(0.00)	(327,000,000.00)
2.	Liabilities to banks		43,500,780.73	25,094,710.35	17,204,448.72	1,201,621.66
			(27,514,499.03)	(6,558,952.91)	(13,960,899.33)	(6,994,646.79)
3.	Trade payables		88,241,102.08	83,258,102.08	4,983,000.00	0.00
			(69,530,768.06)	(69,530,768.06)	(0.00)	(0.00)
4.	Liabilities to associated companies		0.00	0.00	0.00	0.00
			(10,628,085.81)	(6,033,496.20)	(4,594,589.61)	(0.00)
	—of which related to trade payables	0.00				
		(6,033,496.20)				
5.	Other liabilities		23,792,909.17	23,689,424.59	103,484.58	0.00
			(18,305,953.25)	(18,211,040.37)	(94,912.88)	(0.00)
			482,534,791.98	132,042,237.02	349,290,933.30	1,201,621.66
			(452,979,306.15)	(100,334,257.54)	(18,650,401.82)	(333,994,646.79)

Wepa Hygieneprodukte GmbH, Arnsberg

Consolidated financial statements
for the financial year from
January 1, 2014 to December 31, 2014

—English Translation of the German Original—

The following audit opinion is a translation of the German-language audit' opinion (Bestätigungsvermerk), which refers to the consolidated financial statements of Wepa Hygieneprodukte GmbH, prepared on the basis of accounting principles generally accepted in Germany (German GAAP) as of and for the year ending December 31, 2014 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages. The group management report is neither included nor incorporated by reference in this offering memorandum.

Audit Opinion

We have audited the consolidated financial statements prepared by the Wepa Hygieneprodukte GmbH, Arnsberg, comprising of the balance sheet, statement of income, statement of cash flow, statement of changes in shareholders' equity and the notes to the consolidated financial statements as well as the group management report, for the fiscal year from 1st January to 31st December 2014. It is the responsibility of the parent company's management to prepare the consolidated financial statements and the group management report in accordance with German Commercial Law. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch) and the generally accepted German auditing standards promulgated by the German Institute of Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit as such, that misstatements and violations materially affecting the presented view of the company's net assets, financial position and result of operations, as conveyed in the consolidated financial statements and the group management report, taking into account principles of proper book-keeping, are detected with reasonable assurance. Knowledge of the group's business activities and its economic and legal environment, as well as expectations as to possible misstatements, is taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the individual financial statements included in the consolidated financial statements, the demarcation of the scope of consolidation, the consolidation principles applied and the significant estimates made by the legal representatives of the parent company, as well as an evaluation of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our assessment, based on knowledge gained during the audit, the consolidated financial statements are in accordance with legal requirements and the supplementary provisions of the articles of association and convey a true and fair view of the net assets, financial position and results of operations of Wepa Hygieneprodukte GmbH, Arnsberg, while observing principles of proper accounting. The group management report is in line with the annual financial statements and conveys an accurate view of the company's position and the risks and opportunities of future development."

Dortmund, 20th February 2015

Fischer	Lensing
Auditor	Auditor

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2014

Assets

				12/31/2014	12/31/2013
				EUR	EUR
A.			**Fixed assets**		
	I.		Intangible assets		
		1.	Acquired concessions, industrial property rights and values as well as licenses on such rights and values	6,386,926.45	7,628,434.25
		2.	Goodwill	851,523.08	968,526.91
		3.	Advance payments	577,784.96	886,288.05
				7,816,234.49	9,483,249.21
	II.		Tangible assets		
		1.	Land, rights equivalent to real property and buildings including buildings on leased land	93,149,122.36	91,784,345.97
		2.	Technical equipment and machinery	226,085,874.59	197,097,598.81
		3.	Other equipment, office furniture and fittings	3,368,939.14	2,948,348.46
		4.	Advance payments made and assets under construction	39,906,513.03	19,682,960.13
				362,510,449.12	311,513,253.37
	III.		Financial assets		
		1.	Shares in affiliated companies	25,148.31	75,148.31
		2.	Loans to affiliated companies	274,252.48	310,763.43
		3.	Shares in associated companies	62,947,357.16	40,472,733.73
		4.	Loans to associated companies	9,251,585.57	5,560,000.00
		5.	Other loans	108,962.69	122,005.01
				72,607,306.21	46,540,650.48
				442,933,989.82	367,537,153.06
B.			**Current assets**		
	I.		Inventory		
		1.	Raw materials and supplies	59,029,928.98	57,391,524.56
		2.	Semi-finished goods	17,960,962.42	18,052,199.31
		3.	Finished goods and merchandise	40,477,710.12	33,258,079.99
				117,468,601.52	108,701,803.86
	II.		Receivables and other assets		
		1.	Trade receivables	71,775,954.03	72,866,995.97
		2.	Receivables from affiliated companies	432.33	10,933.45
		3.	Receivables from associated companies	916,632.18	780,431.83
		4.	Receivables from shareholders	5,715,601.46	7,045,740.58
		5.	Other assets	32,488,566.87	34,420,669.46
				110,897,186.87	115,124,771.29
	III.		Cash on hand, deposits with banks and cheques	32,881,623.56	64,309,491.22
				261,247,411.95	288,136,066.37
C.			**Prepaid expenses**	979,986.70	449,399.35
				705,161,388.47	**656,122,618.78**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2014

Liabilities

			12/31/2014	12/31/2013
			EUR	EUR
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	19,203,152.99	25,403,152.99
	III.	Revenue reserves	1,786,384.74	1,771,763.74
	IV.	Retained earnings	118,638,637.74	87,341,887.51
	V.	Difference in equity from currency translation	−42,002.27	−1,610,932.37
			147,686,173.20	121,005,871.87
B.		**Difference from capital consolidation**	2,485,530.28	2,206,360.41
C.		**Provisions**		
	1.	Provisions for pensions and similar obligations	7,196,193.76	10,408,068.17
	2.	Tax provisions	19,381,003.57	6,652,392.58
	3.	Other provisions	59,375,905.83	56,652,569.01
			85,953,103.16	73,713,029.76
D.		**Liabilities**		
	1.	Notes	327,000,000.00	327,000,000.00
	2.	Liabilities to banks	27,514,499.03	26,899,074.49
	3.	Trade payables	69,530,768.06	61,384,564.99
	4.	Liabilities to associated companies	10,628,085.81	6,469,649.55
	5.	Other liabilities	18,305,953.25	21,118,856.54
		—of which for taxes: EUR 7,386,247.32 (prior year: EUR 10,307,201.21)		
		—of which for social security: EUR 1,797,543.21 (prior year: EUR 1,688,096.14)		
			452,979,306.15	442,872,145.57
E.		**Prepaid income**	3,257,037.42	3,735,716.03
F.		**Deferred tax liabilities**	12,800,238.26	12,589,495.14
			705,161,388.47	**656,122,618.78**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

		01.01.-31.12.2014	01.01.-31.12.2013
		EUR	EUR
1.	Sales revenues	858,311,410.55	854,839,655.29
2.	Increase or decrease of inventory of finished goods and semi-finished goods	6,670,783.25	913,649.07
3.	Total operating performance	864,982,193.80	855,753,304.36
4.	Other internally produced and capitalized assets	21,510.22	383,052.56
5.	Other operating income	24,580,108.50	10,894,999.94
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	−393,247,068.38	−396,796,846.01
	(b) Third-party service cost	−114,742,004.83	−121,806,688.92
		−507,989,073.21	−518,603,534.93
7.	Personnel expense		
	(a) Salaries and wages	−107,840,126.61	−100,151,190.12
	(b) Social security contributions and retirement and assistance costs	−25,634,351.14	−26,134,288.99
	—of which for retirement costs: EUR 519,377.10 (prior year: EUR 837,524.46)	−133,474,477.75	−126,285,479.11
8.	Amortization and depreciation on intangible and tangible assets	−32,282,109.94	−33,102,499.12
9.	Other operating expenses	−130,324,910.60	−124,436,033.62
10.	Earnings from associated companies	3.890.962.87	−18,755.03
11.	Income from loans under financial assets	291,348.23	123,366.94
12.	Other interest and similar income	1,144,320.07	103,064.94
13.	Write-down of financial assets	−8,462,397.22	0.00
14.	Interest and similar expenses	−32,299,810.63	−26,636,217.27
15.	Compensation for outstanding profit-sharing rights	0.00	−131,060.42
16.	Earnings from ordinary activities	50,077,664.34	38,044,209.24
17.	Extraordinary income	0.00	2,538,725.25
18.	Extraordinary expenses	−358,697.96	−38,390,946.27
19.	Extraordinary income/(expenses)	−358,697.96	−35,852,221.02
20.	Income taxes	−14,641,761.39	−8,270,829.56
	—of which deferred taxes EUR 174,970.61 (prior year: EUR −1,834,869.63)		
21.	Other taxes	−3,765,833.76	−3,217,598.22
22.	Net income for the period (prior year: Net loss for the period)	31,311,371.23	−9,296,439.56
23.	Income carried forward	87,341,887.51	7,969,228.33
24.	Withdrawals from capital reserve	0.00	73,188,379.12
25.	Additions to revenue reserves	−14,621.00	0.00
26.	Withdrawals from revenue reserves	0.00	15,480,719.62
27.	Retained earnings	118,638,637.74	87,341,887.51

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014

ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 2

Classification Plan II (“indirect method”)

Information in EUR thousands			**01.01.-12.31.2014**	**01.01.-12.31.2013**
1.		Consolidated net income before extraordinary items	31,670	26,556
2.	+	Amortization / depreciation of fixed asset items	40,745	33,102
3.	+/−	Increase/decrease in provisions	12,222	6,871
4.	+/−	Other non-cash expenses / income	−5,433	945
5.	−	Gain / loss from the disposal of fixed asset items	−595	−5
6.	−/+	Increase / decrease in inventories, trade receivables and other assets	−4,874	11,066
7.	+/−	Decrease / increase in trade payables and other liabilities	4,411	−16,642
8.	+/−	Other income from associated companies	−3,891	0
9.	+/−	Payments under extraordinary items	−359	−11,180
10.	**=**	**Cash flow from operating activities**	**73,897**	**50,713**
11.	+	Proceeds from disposal of tangible fixed assets	2,276	7,197
12.	−	Payments to acquire tangible and intangible fixed assets	−84,172	−33,192
13.	+/−	Non cash-effective increase / decrease resulting from exchange rate change	−1,627	532
14.	+	Proceeds from disposal of financial assets	2,859	1,313
15.	−	Payments to acquire financial assets	0	−25,400
16.	−	Payments to acquire entities included in the basis of consolidation from the acquisition of consolidated companies	−19,500	0
17.	**=**	**Cash flow from investing activities**	**−100,164**	**−49,550**
18.	−	Dividends paid to shareholders of parent entity	−6,200	0
19.	−	Payments for profit sharing rights	0	−3,300
20.	+	Receipts from the issue of notes and raising (financial) loans	615	330,640
21.	−	Payments for the repayment of loans and taking out (financial) credits	0	−249,799
22.	−	Payments in connection with the repayment of loans and taking (out) financial credits*)	0	−24,672
23.	**=**	**Cash flow from financing activities**	**−5,585**	**52,869**
24.		Net change in cash funds	−31,852	54,032
25	+	Effects on cash funds of changes in the basis of consolidation	426	0
26.	−	Effect on cash fund of exchange rate movements and re-measurements	−2	−24
27.	+	Cash funds at the beginning of the period	64,309	10,301
28.	**=**	**Cash funds at end of period**	**32,882**	**64,309**

*) Expenses with Interest character, stated in the extraordinary result

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

	Subscribed Capital	Capital Reserve	Revenue reserve	Retained earnings	Difference in equity from currency translation	Outstanding profit-sharing rights	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 12/31/2012	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**7,969,228.33**	**−1,171,843.11**	**3,300,000.00**	**134,041,400.69**
Payments	0.00	0.00	0.00	0.00	0.00	−3,300,000.00	−3,300,000.00
Addition to the item	0.00	0.00	0.00	0.00	−439,089.26	0.00	−439,089.26
Change of position	0.00	−73,188,379.12	−15,480,719.62	88,669,098.74	0.00	0.00	0.00
Consolidated income (+) / loss (−)	0.00	0.00	0.00	−9,296,439.56	0.00	0.00	−9,296,439.56
As at 12/31/2013	**8,100,000.00**	**25,403,152.99**	**1,771,763.74**	**87,341,887.51**	**−1,610,932.37**	**0.00**	**121,005,871.87**
Payments	0.00	−6,200,000.00	0.00	0.00	0.00	0.00	−6,200,000.00
Addition to the item	0.00	0.00	0.00	0.00	1,568,930.10	0.00	1,568,930.10
Change of position	0.00	0.00	14,621.00	−14,621.00	0.00	0.00	0.00
Consolidated income (+) / loss (−)	0.00	0.00	0.00	31,311,371.23	0.00	0.00	31,311,371.23
As at 12/31/2014	**8,100,000.00**	**19,203,152.99**	**1,786,384.74**	**118,638,637.74**	**−42,002.27**	**0.00**	**147,686,173.20**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

General information regarding the consolidated financial statement

These consolidated financial statement were prepared in accordance with Sections 298(1), in conjunction with Sections 242 et seq. and Sections 264 et seq. of the HGB (German Commercial Code). The legal form specific requirements laid down in the German Limited Liability Companies Act are taken into account.

The consolidated statement of income has been prepared using the total cost accounting method (Section 298(1), Section 275(2) of the German Commercial Code).

The financial year is the calendar year.

Disclosures regarding the scope of consolidation

Parent company

Wepa Hygieneprodukte GmbH, Arnsberg, is the parent company and therefore prepares the consolidated financial statements. The consolidated financial statements are published in the German Electronic Federal Gazette.

Consolidated companies

The following companies were included in the consolidated financial statements in the **full consolidation**:

Name and registered office of the company	Share of capital in %
Wepa Professional GmbH, Arnsberg*)	100
Wepa Leuna GmbH, Arnsberg*)	100
Wepa Papierfabrik Sachsen GmbH, Kriebstein*)	100
Wepa Produktion GmbH & Co. KG, Arnsberg*)	100
Wepa Professional Piechowice S.A., Piechowice, Poland	100
Wepa International GmbH, Arnsberg*)	100
Wepa Kraftwerk GmbH, Arnsberg*)	100
WEPA Italia SRL, Capannori (Lucca), Italy	100
WEPA Lille S.A.S., Bousbecque, France	100
Winfried Ltd., Harrow, Great Britain	100
Wepa Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Wepa Leuna Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Wepa Sachsen Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG, Grünwald	100
Malachit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100

*) Exemptions in accordance with Section 264(3) of the HGB (German Commercial Code) or Section 264b of the HGB (German Commercial Code)

As part of the **equity method**, the following associated companies were included in the consolidated financial statements:

Name and registered office of the company	share of capital in %	Voting rights in %
GC & WEPA S.L., Ejea de los Caballeros, Provinz Zaragoza, Spain	49.00	49.00
Marsberger Kraftwerk GmbH, Arnsberg	22.26	22.26
Northwood & Wepa Ltd., Bridgend, Great Britain	50.00	50.00
NW Property LLP, Harrow, Great Britain	50.00	50.00

WEPA Lucca SRL was renamed during the course of the business year in WEPA Italia SRL.

WEPA Italy SRL was deconsolidated during the current business year without exerting an influence on the Group's results of operations and net assets.

Due to the significance, WEPA Kraftwerk GmbH is incorporated in the consolidated financial statements for the first time with effect from 1 January 2014.

Winfried Ltd. was acquired in the business year and incorporated in the consolidated financial statements for the first time with effect from 31 March 2014.

Northwood & Wepa Ltd. and NW Property LLP as 50% investments of Winfried Ltd. are included in the consolidated financial statements with effect from 31 March 2014 by applying the equity method.

Malachit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, was acquired in the business year and included in the consolidated financial statements for the first time with effect from 1 January 2014.

The total amount paid for company acquisitions was kEUR 19,500.

The following companies are not included in the consolidated financial statements due to their negligible significance for the Group's net assets, financial position, results of operations and cash flows:

Wepa Produktion Verwaltungs-GmbH
Wepa UK Limited

The following associated company is stated at acquisition cost in the balance sheet because of the negligible significance for the net assets, financial position, results of operations and cash flows of the Group.

Contreda-Papier GmbH

Disclosures regarding consolidation methods

The financial statements of the individual companies have been prepared according to uniform accounting and valuation principles in order to be included in the consolidated financial statements.

Capital consolidation before 2010 was undertaken according to the book value method by offsetting the acquisition costs of the investment against the Group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries were reflected at their book values regardless of the level of the minority share.

Capital consolidation beginning 2010 is undertaken by offsetting the acquisition costs of the investment against the group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with Section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation are disclosed and accounted for in accordance with the underlying assets and liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off. Remaining differences on the liabilities side are treated in accordance with Section 309(2) of the German Commercial Code.

Significant investments are recorded according to the equity method (book value method), if the company holds 20% to 50% of voting rights and is in a position to exercise considerable influence on the company invested in (associated company). The book value of the consolidated associated companies according to the equity method is continued in line with the share in equity of the investment company. In exercising the option of Section 312(5) of the German Commercial Code, the Group-wide valuation is not adopted by GC & WEPA S.L.

The positive difference between the book value and the proportionate equity resulting from the at equity consolidation which is continued in the book value of the at equity investment was liquidated in full with respect to GC & WEPA S.L. in the business year as per 31.12.2014.

The investment book value for the acquisition of Northwood & Wepa Ltd. and NW Property LLP was kGBP 22,591 (kEUR 27,500). The continued positive difference in the investment book value between this book value and the proportionate equity resulting from the at equity consolidation at the time of the initial consolidation is kEUR 24,272, while the proportionate goodwill is kEUR 10,021 and is depreciated over 5 years using the straight-line method.

The goodwill resulting from the at equity consolidation as per 31.12.2014 totaled kEUR 8,518.

Shares in non-consolidated companies are valued at acquisition costs or at the lower attributable fair market value.

Intra-group interim profits, sales, expenses and income, as well as all receivables and liabilities between the consolidated companies, are eliminated.

Annual financial statements of consolidated companies denominated in foreign currency are converted based on Section 308a of the German Commercial Code.

Accordingly, the assets and debts in the consolidated financial statements are converted at the rate valid on the reporting date, equity items at historic rates and expenses and income at the average annual rate. Resulting conversion differences are stated without affecting the operating result under the item "Difference in equity from current translation" in equity. As a matter of principle, exchange rate changes in the case of intra-Group receivables and liabilities are recorded without an effect on the result.

Disclosures on accounting and valuation methods

The following accounting and valuation methods were relevant in preparing the consolidated financial statements.

Intangible assets acquired against payment are capitalized at acquisition cost and, if subject to wear and tear, amortized over the expected useful life of the asset using the straight-line method.

Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, as according to our plans we assume long-term use of the acquired values. Current developments are reflected by extraordinary depreciation, if necessary.

Tangible assets are valued at acquisition cost, taking into account ordinary depreciation. Extraordinary depreciation is taken into consideration in the case of a permanent loss in value.

Financial assets—with the exception of shares in associated companies—are measured at acquisition cost. If the fair value of the financial assets at the balance sheet date is permanently below acquisition cost, then the former is recorded.

Raw materials and supplies as well as merchandise are valued at the lower of cost or market value.

Semi-finished goods are measured at production cost; these include in addition to direct manufacturing and material costs, appropriate portions of production-, material- and administrative overhead costs. Interest on debt is not included in production costs.

The valuation of **finished goods** is based on the inverse method by deducting any upcoming direct selling costs and distribution overheads as well as the profit margin from the net sales price.

Inventory risks are taken into account by considering appropriate valuation allowances.

Receivables and other assets are valued at the lower of nominal value or the fair value at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks, the general credit risk is covered by a general allowance. There are no non-interest-bearing receivables and receivables carrying below-market interest rates with a term of more than one year. Receivables in foreign currency with a residual term of less than one year are converted at the average spot exchange rate on the balance sheet date. Receivables in foreign currency with a maturity of more than one year are accounted for with the lower value of acquisition costs or the value resulting from the conversion with the average spot exchange rate at the balance sheet date.

Accounts receivable are sold as part of ABS transactions by Wepa Hygieneprodukte GmbH and various subsidiaries. In that respect the credit rating risk passes to the buyer. Accounts receivable are decreased in the corresponding amount. The administration of the receivables is assumed by the respective subsidiary in favour of the buyers.

The **subscribed capital** has been paid up in full and is stated at the nominal value.

Pension provisions for vested and current pension commitments are calculated using the projected unit credit method based on the "Richttafeln 2005 G" (Generation Mortality Tables) of Professor Dr. Klaus Heubeck. They are calculated in accordance with Section 253(1) sentence 2 and Section 253(2) of the German Commercial Code.

With regard to the discounting, the average market interest rate, with a residual term of 15 years, at 4.66% (previous year: 4.91%) was applied in accordance with the German regulation on discounting provisions dated November 2009. Anticipated salary and pension increases were reflected at a rate of 2.0% (previous year: 2.0%) and 2.0% (previous year: 2.0%), respectively. As in the previous year no fluctuation rate was considered.

Up until and including 2013, by way of utilising the option in accordance with Article 67(1) sentence 1 of the Introductory Act to the German Commercial Code, the reconciliation amount for fiscal year 2010 of kEUR 489 resulting from the change in accounting for provisions under the German Accounting Law Modernisation Act (BilMoG) was allocated equally over a maximum of 15 years. In deviation to this, in the 2014 business year, the total outstanding amount of kEUR 359 was allocated to the pension provisions.

Assets (plan assets) which are to be used only to meet pension obligations and which are protected from access by all other creditors are offset against the provisions at their fair market value.

Pension-like obligations of the foreign companies were calculated according to country specific circumstances in analogue application of the rules of the German Commercial Code.

Tax provisions and other provisions were considered for all identifiable risks and uncertain liabilities. They have to be assessed at the amount which is required to be paid according to a reasonable commercial assessment taking into account price and cost increases. Provisions with a remaining maturity of more than one year, are discounted with the average market interest rate for the past seven years corresponding to their residual maturity.

Liabilities are shown at their settlement amounts. Liabilities in foreign currency with a maturity of less than one year are translated at the average spot exchange rate on the balance sheet date. Liabilities in foreign currency with a maturity of more than one year are accounted for at the balance sheet date with the higher value of the acquisition costs or the value resulting from the conversion with the average spot exchange rate.

For the determination of **deferred taxes** caused by temporary or quasi-permanent differences between the commercial and the tax based valuation of assets and liabilities or caused by tax loss carry forwards and tax credits, the amounts of the highly probable future tax debits or tax credits are calculated using the company individual tax rates at the time when the differences will be recognized, these amounts are not discounted. The capitalization of deferred taxes in the financial statements of the consolidated companies was applied in accordance with the existing disclosure option. As per 31 December 2014 the deferred tax assets and tax liabilities were netted in accordance with the previous year, the surplus is shown as deferred tax liability.

Notes to the consolidated balance sheet

Fixed assets

The development of the individual fixed asset lines, stating the depreciation and amortization of the fiscal year are reflected in the consolidated statement of changes in fixed assets (Attachment 1 to the consolidated notes).

Accounts receivable and other assets

As in the previous year the remaining term of the receivables is less than one year. Receivables from shareholders also relate to affiliated companies.

Equity

The subscribed capital is kEUR 8,100.

In the business year, a partial amount of the disposable capital reserve of kEUR 6,200 was dissolved and disbursed to the sole shareholder.

Equity also includes the difference in equity from currency translation at an amount of kEUR −42 resulting from currency conversion in accordance with Section 308 of the German Commercial Code, which is to be allocated in full to our subsidiaries in Poland and Great Britain.

Income carried forward of kEUR 87,342 from the previous year is stated in the consolidated financial statements.

A statutory dividend restriction in the sum of deferred tax assets of kEUR 2,063 applies. In view of the fact that Wepa Hygieneprodukte GmbH has sufficient provisions in accordance with Section 268(8) of the German Commercial Code, the entire net income for the year of Wepa Hygieneprodukte GmbH is available for dividend distribution.

Reference is made to the consolidated statement of changes in equity.

Difference resulting from the capital consolidation.

The capital consolidation of TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG and Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG as at 1 January 2010 resulted in original differences from capital consolidation in the balance sheet of kEUR 3,522 and kEUR 74 respectively.

The capital consolidation conducted as per 1 January 2014 of Wepa Kraftwerk GmbH resulted in a difference from capital consolidation of kEUR 671. It shall be dissolved during the course of 15 years in line with the residual useful life of the tangible assets.

The capital consolidation conducted as per 1 January 2014 of Malachit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG resulted in a positive difference of kEUR 21. This difference has already been dissolved in full in the business year with an effect on the current result.

The capital consolidation conducted as per 31 March 2014 of Winfried Ltd. resulted in a difference from capital consolidation of kEUR 7,487. It was liquidated in full in the business year in accordance with Section 309(2) no. 2 of the German Commercial Code with an effect on the current result because it corresponds to the realised profit.

As per 31 December 2014, the total difference from capital consolidation is kEUR 2,486 (previous year: kEUR 2,206). The allocations in the business year were kEUR 8,137. The cumulated dissolvements affecting the current result as per 31 December 2014 are kEUR 9,247 (previous year: kEUR 1,389). In the current fiscal year, differences from capital consolidation were liquidated in the sum of the depreciation on the disclosed hidden reserves in the fixed assets and the realised profits (kEUR 7,858 (previous year: kEUR 347).

The differences are disclosed in a separate position in the consolidated balance sheet not included in the equity in accordance with Section 301(3) of the German Commercial Code.

Provisions

Significant individual items included in **other provisions** are listed as follows:

	12.31.2014 kEUR	12.31.2013 kEUR
Provisions for		
Personnel related expenses	13,781	11,808
Sales deductions	12,033	8,447
Energy and disposal	10,078	3,670
Outstanding invoices	6,770	21,316
Contingent losses	5,877	3,300
Legal disputes and related costs	3,037	1,540

Cash funds invested with Allianz Lebensversicherungs-AG (plan assets) are to be used as insolvency insurance for employee entitlements related to partial retirement. These deposits are therefore not reported under financial assets, but are offset against the provisions for partial retirement obligations in the amount of their fair value in accordance with Section 246(2) of the German Commercial Code (see table below).

Acquisition cost of offset assets (total amount)	Fair value of offset assets (total amount)	Repayment amount of offset debts (total amount)
kEUR 1,523	kEUR 1,223	kEUR 2,098

The expenses and earnings which are netted according to Section 246(2) of the German Commercial Code amounted to kEUR 34.

Liabilities

The terms of the liabilities are stated in the consolidated payables ageing report (Attachment 2 to the consolidated notes).

Deferred tax liabilities

Deferred tax assets and liabilities as per 31 December 2014 refer to the following balance-sheet items

	kEUR
Deferred tax assets	
Tax losses carried forward and tax credits	5,437
Other provisions	2,203
Others	117
Subtotal deferred tax assets	***7,757***

	kEUR
Deferred tax liabilities	
Tangible assets	−19,933
Others	−625
Subtotal deferred tax liabilities	***−20,558***
Deferred tax (net)	***−12,800***

The calculation was based on individual company tax rates between 19% and 33.3%.

Securities

By way of the credit agreement dated 29 April 2013 between Wepa Hygieneprodukte GmbH, Arnsberg, as well as other affiliated companies and Commerzbank AG, Deutsche Bank AG, London Branch and HSBC Trinkaus und Burkhardt AG, a revolving working capital facility (facility agreement) in the sum of kEUR 90,000 was made available. This working capital facility is used for securities in the amount of kEUR 8,100.

Furthermore Wepa Hygieneprodukte GmbH issued Notes with a volume of kEUR 275,000 and a term of 7 years on 13th May 2013. The notes were increased by a nominal amount of kEUR 52,000 to a total of kEUR 327,000 on 16 December 2013. On the balance sheet date, the notes totaled kEUR 327,000. They mature in full on 15 May 2020.

For these liabilities, the following collaterals were made available, which are administered by Commerzbank AG as "Security Agent":

Mortgages on real property of various domestic subsidiaries of Wepa Hygieneprodukte GmbH, pledging of all shares of subsidiaries, global assignment of receivables from insurance claims and claims arising from intra-Group loans, pledging of all domestic accounts as well as the collateral assignment of fixed assets of Wepa Hygieneprodukte GmbH and various subsidiaries.

The following collaterals were provided for further liabilities:

Mortgages on real property of various domestic subsidiaries of Wepa Hygieneprodukte GmbH as well as the collateral assignment of fixed assets of these subsidiaries.

First pledging of various German accounts of WEPA Hygieneprodukte GmbH and of additional domestic and foreign subsidiaries.

The contingent liabilities refer to potential future events the occurrence of which would lead to an obligation. Based on the existing overall financing, the WEPA Group assesses the risk of possible claims as not likely.

Notes to the consolidated statement of income

Sales revenues

The sales revenues can be classified according to specific geographical markets as follows:

	2014	2013
	kEUR	kEUR
Sales revenues Germany	365,929	350,989
Sales revenues abroad	492,382	503,851
Total sales revenues	858,311	854,840

Other operating income

The other operating income contains the dissolution of the difference to be stated as a difference from the capital consolidation of Winfried Ltd. of kEUR 7,487 (previous year: kEUR 0). Furthermore, income not relating to the period under review of kEUR 7,120 (previous year: kEUR 2,899) is stated and contains reimbursements for energy, the dissolution of provisions as well as income from investigations by the tax authorities. Income from currency conversion is kEUR 353 (previous year: kEUR 470).

Amortization and depreciation on intangible and tangible assets

The composition of the depreciation of the business year on intangible assets and property, plant and equipment in the sum of kEUR 32,282 is stated in the consolidated statement of changes in fixed assets (Attachment 1 to the consolidated notes).

The previous year's depreciation contained non-scheduled depreciation in the sum of kEUR 3,994.

The value adjustment regarding the investment book value of an associated company in the sum of kEUR 8,462 is contained in the write-down of financial assets.

Other operating expenses

Expenses resulting from the currency conversion are kEUR 1,061 (previous year: kEUR 1,013). The other operating expenses contain expenses not relating to the period under review of kEUR 757 (previous year: kEUR 1,771).

Interest and similar expenses

The addition of interest on provisions gives rise to interest expenses of kEUR 485 (previous year: kEUR 522).

Extraordinary result

The extraordinary expenses in the sum of kEUR 359 contain the allocation of the entire residual amount from exercising the option of making an allocation to the pension provision in accordance with Article 67(7) EGHGB (BilMoG).

Taxes on income

Taxes on income contain deferred tax income in the sum of kEUR 175 (previous year: deferred tax expenses of kEUR 1,835).

Contingent liabilities and other financial obligations

Contingent liabilities

The following Group contingent liabilities exist as at the balance sheet date.

Securities / guarantees

Maximum amount guarantees have been made available from HSH Nordbank AG, Hamburg, and Volksbank Sauerland, Arnsberg, up to a total maximum amount of kEUR 3,190 for certain leasing liabilities and loan liabilities of WEPA Kraftwerk GmbH, Arnsberg.

Wepa Hygieneprodukte GmbH assesses the risk of possible claims as not likely.

Other financial obligations

The total amount of other financial obligations (obligations resulting from rental and leasing agreements) as per 31 December 2014 is kEUR 17,139 (previous year: kEUR 28,383).

In total, kEUR 6,688 are due within one year.

In addition to the commitments from orders for the 2 new paper machines in the sum of kEUR 39,042; the commitments from orders as per 31 December 2014 are within the customary industrial framework.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate, currency and commodity risks from booked, pending and planned underlying transactions.

Currency and raw material procurement risks are hedged exclusively in the name and on account of Wepa Hygieneprodukte GmbH.

The booked and pending underlying transactions are combined with the hedging transactions as a micro hedge and portfolio hedge in German Commercial Code valuation units, separated into commodity, currency and interest rate hedging instruments. The same applies to planned transactions underlying a macro- or portfolio hedge. The German Commercial Code valuation units are valued individually as per the balance sheet date.

The valuation methods and assumptions underlying the calculation of the market value are the following:

FX forwards and FX swaps are valued at the forward exchange rate at the balance sheet date. Options are valued using the Black-Scholes- or Binomial Models according to their structure. Instruments designed to hedge interest rate and commodity risks are valued by discounting future cash flows. Discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against profit and loss at the time of payment or when accrued at the balance sheet date.

According to the principles of valuation under Commercial Law, a negative valuation result of the relevant hedging transaction leads to a provision for contingent losses, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

The WEPA Group strives to achieve a balanced risk / opportunity relationship. Depending on the assessment of the market situation, 50% to 100% of total currency or financing requirements are therefore hedged, in order to be able to respond to unforeseen developments in interest rates and currencies when calculating prices. In the case of raw materials, the purchase prices are hedged via commodity swaps. In this respect hedging is endeavoured that is conditional on the market and is within a range of 30% and 100%. The primary goal is to hedge the calculation rates on which the planning is based.

As at the balance sheet date the following derivative financial positions existed:

	Nominal amount / volume	Market value
Interest rate derivatives	kEUR 62,084	kEUR −4,555
Currency derivatives	kEUR 104,449	kEUR −15 kEUR 8,863
Commodity derivatives	MT 347,220	kEUR −2,879 kEUR 8,416

MT = metric tonnes

Insofar as no valuation units apply, provisions of kEUR 5,871 (previous year: kEUR 3,300) are considered for negative market values. Nominal amounts of the derivative financial transactions are equivalent to the purchase- or sale amounts or the contract values of the hedged underlying transactions.

If a direct hedging relationship exists, the derivatives are combined as a valuation unit with the underlying or planned transactions. The WEPA Group has opted for the so-called net hedge presentation method in reflecting the valuation units in the balance sheet.

Of the hedging volumes mentioned above, the following volumes were combined to valuation units with the underlying transactions:

Hedging of interest rate risk of liabilities from receivables-based financing by entering into payer-swaps

	Volume	Maturity	Type of Valuation Unit	Volume of Hedging Instrument	Maturity no later than	Market Value of Hedging Instrument
Working Capital Financing	55,000,000	minimum 30.06.2017	Portfolio hedge	55,000,000	30.06.2017	kEUR −4,284

Hedging of interest rate risk on leasing liabilities by entering into payer-swaps:

	Volume	Maturity	Type of Valuation Unit	Volume of Hedging Instrument	Maturity no later than	Market Value of Hedging Instrument
Leasing	7,083,548	maximum 30.12.2017	Portfolio hedge	7,083,548	30.12.2017	kEUR – 271

Hedging of price-change risk (monthly-ø PIX-FOEX) by entering into payer-swaps:

	Planned Volume for 2015 (minimum)	Volume of Hedging Instruments (until now)	Type of Hedging Instrument	Maturity of Hedged Instruments	Market Value of Hedging Instruments
Pulp	220,020 mt	220,020 mt	Portfolio hedge	Dec 15	kEUR 7,837

Hedging of exchange rate risk regarding the procurement of pulp / semi-finished goods via:

	Planned Volume (minimum)	Type of Valuation Unit	Volume of Hedging Instrument	Maturity of Hedging Instrument no later than	Market Value of Hedging Instruments
Forward Exchange Transactions and FX-Swaps	kUSD 25,800	Portfolio hedge	kUSD 25,800	Dec 15	kEUR 2,646

Due to the fact that the key features of the designated underlying transactions and hedging instruments constitute a valuation unit, the changes in value or cash flow offset one another. The hedge always exists for the entire term of the underlying transaction. Proof of the effectiveness of the valuation unit is furnished prospectively using the critical term match method, i.e. all value determining parameters of the underlying transaction and hedge transaction are reviewed as to whether or not they match. The effectiveness of the valuation unit is reviewed retrospectively based on the mark-to-market valuations of the underlying transaction and hedging instrument. This process involves a comparison of the changes in value of the underlying transaction and the hedging instrument.

The transactions, which are planned with a high probability of materializing and are included as underlying transactions in a valuation unit, involve future commodity purchases as well as future working capital requirements.

Disclosures regarding the consolidated statement of cash flow

The financing purposes fund is defined as cash at hand, deposit with banks and cheques with a maturity of less than three months. It is equivalent to the balance sheet item "cash at hand, deposits with banks and cheques".

Other disclosures

Average number of employees

In the 2014 business year, on average the company had 2,620 employees (previous year: 2,568), thereof 2,037 (previous year: 2,017) were blue collar employees and 583 (previous year: 551) were white collar workers. In addition, 45 (previous year: 60) apprentices were prepared for their future profession.

Auditor fee

Total fees calculated by the auditor for the 2014 business year were:

a)	Auditing services	kEUR 262
b)	Other attestation services	kEUR 27
c)	Tax advisory services:	kEUR 56
d)	Other services:	kEUR 88

Investments / significant holdings

The company holds an indirect or direct significant interest in the following limited liability companies that are not included in the consolidated financial statements:

		Share %	Equity	Result 2014
a)	WEPA UK Limited, Harrow, Middlesex, United Kingdom	100	kGBP 92*)	kGBP 17*)
b)	Wepa Produktion Verwaltungs-GmbH, Arnsberg	100	kEUR 26	kEUR 0
c)	Contreda-Papier GmbH, Bad Oeynhausen	50	kEUR 547*)	kEUR −43*)

*) Annual financial statements as at 31 December 2013 rate on reporting date 31 December 2014: GBP/EUR 0.7789

The investments in GC & WEPA S.L., Ejea de los Caballeros, Provinz Zaragoza, Spain, in Marsberger Kraftwerk GmbH ("MKG"), Arnsberg, in Northwood & Wepa Ltd., Bridgend, Great Britain, and in NW Property LLP, Harrow, Great Britain, are incorporated "at equity" in the consolidated financial statements.

The accounting and valuation methods used by the foreign companies correspond to the respective, local applicable accounting requirements. The summarized balance sheets as per 31 December 2014 as well as the summarized statements of income for 2014 are as follows:

Balance Sheet

	GC& WEPA	MKG	N&W*	NW Property*
	kEUR	kEUR	kEUR	kEUR
Fixed assets	33,535	21,151	64,043	5,784
Current assets	24,096	515	40,163	9
Total assets	57,631	21,666	104,205	5,794
Net assets	32,407	21,352	39,475	283
Current liabilities	25,224	314	64,730	5,511
Total capital	57,631	21,666	104,205	5,794

Statement of income

	GC& WEPA	MKG	N&W	NW Property
	kEUR	kEUR	kEUR	kEUR
Operating result	2,239	10,355	7,007	229
Financial result	−110	1987	−737	−142
Result before taxes	2,129	12,342	6,271	87
Taxes	−835	−3,101	−1,641	0
Year-end result	1,294	9,241	4,629	87

*) GBP/EUR exchange rate = 0.7789 (Spot exchange rate on reporting date 31.12.2014), business year from 01.07.–31.12.2014

Management Board

Members of the Management Board of Wepa Hygieneprodukte GmbH are:

Martin Krengel, Arnsberg, Chairman of the Management Board of WEPA Industrieholding SE, Managing Director

Walter Hirner, Sundern, Deputy Chairman of the Management Board of WEPA Industrieholding SE, Managing Director

Dr. Hendrik Otto, Düsseldorf, from 1 February 2014; Member of the Management Board of WEPA Industrieholding SE, Managing Director

Ralph Dihlmann, Wetter (Ruhr), from 1 May 2014; Member of the Management Board of WEPA Industrieholding SE, Managing Director

Johann Wolbert, Frankfurt am Main, until 28.02.2014; Member of the Management Board of WEPA Industrieholding SE, Managing Director

The managing directors have joint power of representation, and are exempt from the restrictions of Section 181 of the German Civil Code.

The managing directors did not receive remunerations from the company or the incorporated companies in the period under review.

Consolidated financial statements

Wepa Hygieneprodukte GmbH and its affiliated companies are incorporated in the consolidated financial statements of WEPA Industrieholding SE, Arnsberg. The consolidated financial statements are published in the German Electronic Federal Gazette.

Arnsberg, 20 February 2015

Wepa Hygieneprodukte GmbH, Arnsberg

The Management Board

Martin Krengel	Walter Hirner	Ralph Dihlmann	Dr. Hendrik Otto

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS BETWEEN 01/01/2014 AND 12/31/2014

ATTACHMENT 1 TO NOTES

	Accumulated acquisition costs							Accumulated depreciation						Book values	
	01/01/2014	Consolidation group adjustment	Additions	Disposals	Transfer	Currency adjustment	12/31/2014	01/01/2014	Amort. and depr. Fiscal Year	Disposals	Reclassification	Currency adjustment	12/31/2014	12/31/2014	/12/31/2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets															
I. Intangible assets															
1. Acquired concessions, industrial property rights and values as well as licenses and such rights and values	19,142,950.73	0.00	308,129.89	24,355.95	2,116,873.22	− 1,587.03	21,542.010.86	11,514,516.48	3,666,259.64	24,355.95	0.00	− 1,335.76	15,155,084.41	6,386,926.45	7,628,434.25
2. Goodwill	5,686,298.09	0.00	0.00	333,316.79	− 2.00	0.00	5,352,979.30	4,717,771.18	117,001.83	333,316.79	0.00	0.00	4,501,456.22	851,523.08	968,526.91
3. Advance payments	886,288.05	0.00	1,063,381.33	0.00	1,371,884.42	0.00	577,784.96	0.00	0.00	0.00	0.00	0.00	0.00	577,784.96	886,288.05
	25,715,536,87	**0.00**	**1,371,511.22**	**357,672.74**	**744,986.80**	**− 1,587.03**	**27,472,775.12**	**16,232,287.66**	**3,783,261.47**	**357,672.74**	**0.00**	**− 1,335.76**	**19,656,540.63**	**7,816,234.49**	**9,483,249.21**
II. Tangible assets															
1. Land, rights equivalent to real property and buildings including buildings on leased land .	129,553,116.37	0.00	4,464,715.23	2,976,171.44	1,645,298.50	− 438,305.33	132,248,653.33	37,768,770.40	4,120,654.14	2,668,850.94	0.00	− 121,042.63	39,099,530.97	93,149,122.36	91,784,345.97
2. Technical equipment and machinery	506,391,844.46	0.00	20,445,097.01	4,454,410.53	33,425,271.86	− 736,442.20	555,071,360.60	309,294,245.65	23,163,422.98	3,100,576.67	15,342.76	− 386,948.71	328,985,486.01	226,085,874.59	197,097,598.81
3. Other equipment, office furniture and fittings . . .	13,402,972.22	0.00	604,642.97	243,923.78	1,043,530.84	− 23,489.18	14,783,733.07	10,454,623.76	1,214,771.35	223,855.12	− 15,342.76	− 15,403.30	11,414,793.93	3,368,939.14	2,948,348.46
4. Advance payments made and assets under construction	22,335,848.67	0.00	57,285,658.50	2,622,739.78	− 36,859,088.00	− 203,856.49	39,935,822.90	2,652,888.54	0.00	2,622,739.78	0.00	− 838.89	29,309.87	39,906,513.03	19,682,960.13
	671,683,781.72	**0.00**	**82,800,113.71**	**10,297,245.53**	**− 744,986.80**	**− 1,402,093.20**	**742,039,569.90**	**360,170,528.35**	**28,498,848.47**	**8,616,022.51**	**0.00**	**− 524,233.53**	**379,529,120.78**	**362,510,449.12**	**311,513,253.37**
III. Financial assets															
1. Shares in affiliated companies	75,148.31	− 25,000.00	0.00	0.00	− 25,000.00	0.00	25,148.31	0.00	0.00	0.00	0.00	0.00	0.00	25,148.31	75,148.31
2. Loans to affiliated companies	310,763.43	0.00	0.00	36,510.95	0.00	0.00	274,252.48	0.00	0.00	0.00	0.00	0.00	0.00	274,252.48	310,763.43
3. Shares in associated companies	44,176,777.07	27,500,000.00	3,890,962.87	6,328,896.46**	25,000.00	2,145,910.90	71,409,754.38	3,704,043.34	8,462,397.22	3,704,043.34*	0.00	0.00	8,462,397.22	62,947,357.16	40,472,733.73
4. Loans to associated companies	5,560,000.00	3,491,946.22	0.00	160,000.00	0.00	359,639.35	9,251,585.57	0.00	0.00	0.00	0.00	0.00	0.00	9,251,585.57	5,560,000.00
5. Other loans	122,005.01	0.00	0.00	13,042.32	0.00	0.00	108,962.69	0.00	0.00	0.00	0.00	0.00	0.00	108,962.69	122,005.01
	50,244,693.82	**30,966,946.22**	**3,890,962.87**	**6,538,449.73**	**0.00**	**2,505,550.25**	**81,069,703.43**	**3,704,043.34**	**8,462,397.22**	**3,704,043.34**	**0.00**	**0.00**	**8,462,397.22**	**72,607,306.21**	**46,540,650.48**
Total fixed assets	**747,644,012.41**	**30,966,946.22**	**88,062,587.80**	**17,193,368.00**	**0.00**	**1,101,870.02**	**850,582,048.45**	**380,106,859.35**	**40,744,507.16**	**12,677,738.59**	**0.00**	**− 525,569.29**	**407,648,058.63**	**442,933,989.82**	**367,537,153.06**

* Reclassification of accumulated losses of GC&WEPA S.L. until 2008 from accumulated write-offs to acquisition or manufacturing costs

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED PAYABLES AGEING REPORT

DECEMBER 31, 2014

ATTACHMENT 2 TO NOTES

		as at 12.31.2014 (12.31.2013)	up to 1 year	of which with a remaining term of more than 1 year up to 5 years	over 5 years
		EUR	EUR	EUR	EUR
1. Notes		327,000,000.00	0.00	0.00	327,000,000.00
		(327,000,000.00)	(0.00)	(0.00)	(327,000,000.00)
2. Liabilities to banks		27,514,499.03	6,558,952.91	13,960,899.33	6,994,646.79
		(26,899,074.49)	(2,262,745.22)	(16,328,628.70)	(8,307,700.57)
3. Trade payables		69,530,768.06	69,530,768.06	0.00	0.00
		(61,384,564.99)	(61,384,564.99)	(0.00)	(0.00)
4. Liabilities to associated companies		10,628,085.81	6,033,496.20	4,594,589.61	0.00
		(6,469,649.55)	(6,469,649.55)	(0.00)	(0.00)
—of which related to trade payables	6,033,496.20				
	(6,469,649.55)				
5. Other liabilities		18,305,953.25	18,211,040.37	94,912.88	0.00
		(21,118,856.54)	(20,999,080.36)	(119,776.18)	(0.00)
		452,979,306.15	100,334,257.54	18,650,401.82	333,994,646.79
		(442,872,145.57)	(91,116,040.12)	(16,448,404.88)	(335,307,700.57)

Wepa Hygieneprodukte GmbH, Arnsberg

Consolidated financial statements
for the financial year from
January 1, 2013 to December 31, 2013

—English Translation of the German Original—

The following audit opinion is a translation of the German-language audit opinion (Bestätigungsvermerk), which refers to the consolidated financial statements and the group management report of Wepa Hygieneprodukte GmbH, prepared on the basis of accounting principles generally accepted in Germany (German GAAP) as of and for the year ending December 31, 2013 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages. The group management report is neither included nor incorporated by reference in this offering memorandum.

Audit Opinion

We have audited the consolidated financial statements prepared by the Wepa Hygieneprodukte GmbH, Arnsberg, comprising of the balance sheet, statement of income, statement of cash flow , statement of changes in shareholders' equity and the notes to the consolidated financial statements as well as the group management report, for the fiscal year from 1st January to 31st December 2013. It is the responsibility of the parent company's management to prepare the consolidated financial statements and the group management report in accordance with German Commercial Law. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch) and the generally accepted German auditing standards promulgated by the German Institute of Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit as such, that misstatements and violations materially affecting the presented view of the company's net assets, financial position and result of operations, as conveyed in the consolidated financial statements and the group management report, taking into account principles of proper book-keeping, are detected with reasonable assurance. Knowledge of the group's business activities and its economic and legal environment, as well as expectations as to possible misstatements, is taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the individual financial statements included in the consolidated financial statements, the demarcation of the scope of consolidation, the consolidation principles applied and the significant estimates made by the legal representatives of the parent company, as well as an evaluation of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our assessment, based on knowledge gained during the audit, the consolidated financial statements are in accordance with legal requirements and the supplementary provisions of the articles of association and convey a true and fair view of the net assets, financial position and results of operations of Wepa Hygieneprodukte GmbH, Arnsberg, while observing principles of proper accounting. The group management report is in line with the annual financial statements and conveys an accurate view of the company's position and the risks and opportunities of future development."

Dortmund, 14th February 2014

Fischer Auditor	Lensing Auditor

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2013

Assets

			12/31/2013 EUR	12/31/2012 EUR
A.		**Fixed assets**		
I.		Intangible assets		
	1.	Acquired concessions, industrial property rights and values as well as licenses on such rights and values	7,628,434.25	5,335,039.97
	2.	Goodwill	968,526.91	1,324,953.87
	3.	Advance payments	886,288.05	2,406,798.41
			9,483,249.21	9,066,792.25
II.		Tangible assets		
	1.	Land, rights equivalent to real property and buildings including buildings on leased land	91,784,345.97	99,505,038.56
	2.	Technical equipment and machinery	197,097,598.81	209,489,829.00
	3.	Other equipment, office furniture and fittings	2,948,348.46	3,962,345.58
	4.	Advance payments made and assets under construction	19,682,960.13	6,606,913.83
			311,513,253.37	319,564,126.97
III.		Financial assets		
	1.	Shares in affiliated companies	75,148.31	75,148.31
	2.	Loans to affiliated companies	310,763.43	0.00
	3.	Shares in associated companies	40,472,733.73	15,383,428.76
	4.	Loans to associated companies	5,560,000.00	5,560,000.00
	5.	Other loans	122,005.01	1,435,005.01
			46,540,650.48	22,453,582.08
			367,537,153.06	351,084,501.30
B.		**Current assets**		
I.		Inventory		
	1.	Raw materials and supplies	57,391,524.56	58,964,550.74
	2.	Semi-finished goods	18,052,199.31	17,723,692.65
	3.	Finished goods and merchandise	33,258,079.99	28,583,661.94
	4.	Advance payments	0.00	10,489.10
			108,701,803.86	105,282,394.43
II.		Receivables and other assets		
	1.	Trade receivables	72,866,995.97	87,041,114.98
	2.	Receivables from affiliated companies	10,933.45	335,118.19
	3.	Receivables from associated companies	780,431.83	1,137,671.13
	4.	Receivables from shareholders	7,045,740.58	3,663,806.59
	5.	Other assets	34,420,669.46	36,033,753.47
			115,124,771.29	128,211,464.36
III.		Cash on hand, deposits with banks and cheques	64,309,491.22	10,301,367.83
			288,136,066.37	243,795,226.62
C.		**Prepaid expenses**	449,399.35	1,847,939.85
D.		**Deferred tax assets**	0.00	5,650,407.22
			656,122,618.78	**602,378,074.99**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2013

Liabilities

			12/31/2013 EUR	12/31/2012 EUR
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	25,403,152.99	98,591,532.11
	III.	Revenue reserves	1,771,763.74	17,252,483.36
	IV.	Net income carried forward	0.00	5,543,118.92
	V.	Net income	0.00	2,426,109.41
	VI.	Retained earnings	87,341,887.51	0.00
	VII.	Difference in equity from currency translation	−1,610,932.37	−1,171,843.11
	VIII.	Outstanding profit-sharing rights	0.00	3,300,000.00
			121,005,871.87	134,041,400.69
B.		**Difference from capital consolidation**	2,206,360.41	2,553,553.87
C.		**Provisions**		
	1.	Provisions for Pensions and similar obligations	10,408,068.17	10,177,626.44
	2.	Tax provisions	6,652,392.58	5,326,745.69
	3.	Other provisions	56,652,569.01	51,337,733.93
			73,713,029.76	66,842,106.06
D.		**Liabilities**		
	1.	Notes	327,000,000.00	0.00
	2.	Liabilities to banks	26,899,074.49	276,698,116.62
	3.	Trade payables	61,384,564.99	74,129,405.80
	4.	Liabilities to affiliated companies	0.00	16,176.61
	5.	Liabilities to associated companies	6,469,649.55	12,978,732.99
	6.	Other liabilities	21,118,856.54	18,457,034.46
		—of which for taxes: EUR 10,307,201.21 (prior year: EUR 7,077,629.35)		
		—of which for social security: EUR 1,688,096.14 (prior year: EUR 1,914,989.81)		
			442,872,145.57	382,279,466.48
E.		**Prepaid income**	3,735,716.03	129,091.14
F.		**Deferred tax liabilities**	12,589,495.14	16,532,456.75
			656,122,618.78	**602,378,074.99**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

		01.01.-12.31.2013	01.01.-12.31.2012
		EUR	EUR
1.	Sales revenues	854,839,655.29	849,496,584.97
2.	Increase or decrease of inventory of finished- and semi-finished goods	913,649.07	−3,497,181.81
3.	Total operating performance	855,753,304.36	845,999,403.16
4.	Other internally produced and capitalized assets	383,052.56	291,224.41
5.	Other operating income	10,894,999.94	8,400,836.88
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	−396,796,846.01	−381,774,947.45
	(b) Third-party service cost	−121,806,688.92	−127,728,802.38
		−518,603,534.93	−509,503,749.83
7.	Personnel expense		
	(a) Salaries and wages	−100,151,190.12	−99,414,663.25
	(b) Social security contributions and retirement and assistance costs	−26,134,288.99	−25,732,125.99
	—of which retirement costs: EUR −837,524.46 (prior year: EUR −647,088.33)	−126,285,479.11	−125,146,789.24
8.	Amortization and depreciation on intangible and tangible assets	−33,102,499.12	−31,708,154.61
9.	Other operating expenses	−124,436,033.62	−134,935,030.48
10.	Earnings from associated companies	−18,755.03	661,228.99
11.	Income from loans under financial assets	123,366.94	134,369.87
12.	Other interest and similar income	103,064.94	240,859.76
13.	Interest and similar expenses	−26,636,217.27	−24,148,449.10
14.	Compensation for outstanding profit-sharing rights	−131,060.42	−537,500.00
15.	Earnings from ordinary activities	38,044,209.24	29,748,249.81
16.	Extraordinary income	2,538,725.25	5,273,050.11
17.	Extraordinary expenses	−38,390,946.27	−18,780,489.40
18.	Extraordinary income / (expenses)	−35,852,221.02	−13,507,439.29
19.	Income taxes	−8,270,829.56	−10,212,624.71
	—of which deferred taxes EUR −1,834,869.63 (prior year: EUR −5,127,880.63)		
20.	Other taxes	−3,217,598.22	−3,602,076.40
21.	Net loss for the period (prior year: Net income for the period)	−9,296,439.56	2,426,109.41
22.	Income carried forward	7,969,228.33	5,543,118.92
23.	Withdrawals from capital reserve	73,188,379.12	0.00
24.	Withdrawals from revenue reserves	15,480,719.62	0.00
25.	Retained earnings	87,341,887.51	—*)

*) No profit appropriation in conjunction with the preparation of the financial statements for Wepa Hygieneprodukte GmbH

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2013

ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 2

Classification Plan II ("indirect method")

Information in EUR thousands			**01.01.-12.31.2013**	**01.01.-12.31.2012**
1.		Consolidated net income before extraordinary items	26,556	15,934
2.	+	Amortization / depreciation of fixed asset items	33,102	31,708
3.	+/−	Increase/decrease in provisions	6,871	15,384
4.	+/−	Other non-cash expenses/income	945	7,453
5.	−/+	Gain / loss from the disposal of fixed asset items	−5	−308
6.	+/−	Increase / decrease in inventories, trade receivables and other assets	11,066	23,353
7.	−/+	Decrease / increase in trade payables and other liabilities	−16,642	−7,609
8.	+/−	Payments under extraordinary items	−11,180	−13,507
9.	**=**	**Cash flow from operating activities**	**50,713**	**72,408**
10.	+	Proceeds from disposal of tangible and intangible assets	7,197	4,746
11.	−	Payments to acquire tangible and intangible assets	−33,192	−34,386
12.	−/+	Non cash effective increase / decrease resulting from exchange rate change	532	−2,085
13.	+	Proceeds from disposal of financial assets	1,313	11
14.	−	Payments to acquire financial assets	−25,400	0
15.	**=**	**Cash flow from investing activities**	**−49,550**	**−31,714**
16.	−	Payments for profit sharing rights	−3,300	−1,700
17.	+	Receipts from the issue of notes and raising (financial) loans	330,640	0
18.	−	Payments for the repayment of loans and taking out (financial) credits	−249,799	−32,687
19.	−	Payments in connection with the repayment of loans and taking (out) financial credits*)	−24,672	0
20.	**=**	**Cash flow from financing activities**	**52,869**	**−34,387**
21.		Net change in cash funds	54,032	6,307
22.	+/−	Effect on cash fund of exchange rate movements and measurements	−24	54
23.	+	Cash funds at the beginning of the period	10,301	3,940
24.	**=**	**Cash funds at end of period**	**64,309**	**10,301**

*) Expenses with Interest character, stated in the extraordinary result

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

in EUR	Subscribed capital	Capital reserve	Revenue reserve	Retained earnings	Difference in equity from currency translation	Outstanding Profit-Sharing-Rights	Total
As at 12/31/2011	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**5,543,118.92**	**−3,539,683.33**	**5,000,000.00**	**130,947,451.06**
Payments	0.00	0.00	0.00	0.00	0.00	−1,700,000.00	−1,700,000.00
Addition to the item	0.00	0.00	0.00	0.00	2,367,840.22	0.00	2,367,840.22
Consolidated income (+) / loss (−)	0.00	0.00	0.00	2,426,109.41	0.00	0.00	2,426,109.41
As at 12/31/2012	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**7,969,228.33**	**−1,171,843.11**	**3,300,000.00**	**134,041,400.69**
Payments	0.00	0.00	0.00	0.00	0.00	−3,300,000.00	−3,300,000.00
Addition to the item	0.00	0.00	0.00	0.00	−439,089.26	0.00	−439,089.26
Change of position	0.00	−73,188,379.12	−15,480,719.62	88,669,098.74	0.00	0.00	0.00
Consolidated income (+) / loss (−)	0.00	0.00	0.00	−9,296,439.56	0.00	0.00	−9,296,439.56
As at 12/31/2013	**8,100,000.00**	**25,403,152.99**	**1,771,763.74**	**87,341,887.51**	**−1,610,932.37**	**0.00**	**121,005,871.87**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

General information regarding the consolidated financial statements

These consolidated financial statements were prepared in accordance with Sections 298, paragraph 1, in conjunction with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code. The Limited Liabilities Companies Act is considered.

The consolidated statement of income is set up according to the total cost accounting method (Section 298, paragraph 1 and Section 275, paragraph 2 of the German Commercial Code). Disclosures that may be included in either the consolidated balance sheet, consolidated statement of income or in the consolidated notes are altogether listed in the consolidated notes.

The fiscal year is the calendar year.

Disclosures regarding the scope of consolidation

Parent company

The Wepa Hygieneprodukte GmbH, Arnsberg, is the parent company and therefore prepares the consolidated financial statements. The consolidated financial statements are published in the German Electronic Federal Gazette.

Consolidated companies

As part of the **full consolidation** the following companies were included in the **consolidated financial statements**:

Name and registered office of the company	Share of capital in %
Wepa Professional GmbH, Arnsberg*)	100
Wepa Leuna GmbH, Arnsberg*)	100
Wepa Papierfabrik Sachsen GmbH, Kriebstein*)	100
Wepa Produktion GmbH & Co. KG, Arnsberg*)	100
Wepa Professional Piechowice S.A., Piechowice, Poland	100
Wepa International GmbH, Arnsberg*)	100
WEPA LUCCA SRL, Capannori (Lucca), Italien	100
WEPA ITALY SRL, San Paolo (BZ), Italien	100
WEPA Lille S.A.S., Bousbecque, Frankreich	100
Wepa Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Wepa Leuna Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Wepa Sachsen Grundbesitz GmbH & Co. KG, Arnsberg*)	100
Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG, Grünwald	100

*) Discharged according to Section 264 paragraph 3 of the German Commercial Code and respectively Section 264b of the German Commercial Code

Included in the consolidated financial statements by applying the **equity method** were the following associated companies:

Name and registered office of the company	share of capital in %
GC & WEPA S.L., Ejea de los Caballeros, Province Zaragoza, Spain	49.00
Marsberger Kraftwerk GmbH, Arnsberg	22.26

The following companies were not included in the consolidated financial statements due to their minor importance with respect to the Group's net assets, financial situation and results of operations:

- Westfälische Sportmarketing GmbH

- Wepa Produktion Verwaltungs-GmbH
- Wepa UK Limited
- Contreda Papier GmbH

Disclosures regarding consolidation methods

The financial statements of the individual companies have been prepared according to uniform accounting and valuation principles in order to be included in the consolidated financial statements.

Capital consolidation before 2010 was undertaken according to the book value method by offsetting the acquisition costs of the investment against the group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries that could be recorded were reflected at their book values regardless of the level of the minority share.

Capital consolidation beginning 2010 is undertaken by offsetting the acquisition costs of the investment against the Group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with Section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation are disclosed and accounted for in accordance with the underlying assets and liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off. Differences on the liabilities side are treated in accordance with Section 309, paragraph 2 of the German Commercial Code.

Significant investments are recorded according to the equity method (book value method), if the company holds 20% to 50% of voting rights and is in a position to exercise considerable influence on the company invested in (associated company). The book value of the consolidated associated companies according to the equity method is recorded in line with the share in equity of the investment company. In exercising the option of Section 312, paragraph 5 of the German Commercial Code, the Group-wide valuation is not adopted by the consolidated associated companies that are recognized by the equity method.

The difference between the book value and the share in equity from the 'At Equity' consolidation of GC & WEPA S.L. totals kEUR 447. The acquisition cost of the shares in Marsberger Kraftwerk GmbH, Arnsberg, total kEUR 25,108. Aforementioned company was included in the consolidated financial statements for the first time with effect from 1st May 2013. The difference between the book value and the share of equity from the equity consolidation amounts to kEUR 25,210 the goodwill amounted to kEUR 828 and will be amortized over 5 years. The goodwill resulting from the at equity consolidation totaled kEUR 1,275.

Shares in unconsolidated companies are measured at the lower of acquisition or fair market value.

Intra-group interim profits, sales, expenses and income, as well as all receivables and liabilities between the consolidated companies, are eliminated.

Annual financial statements of consolidated companies denominated in foreign currency are converted based on Section 308a of the German Commercial Code. Exchange rate differences relating to internal company receivables and liabilities are generally recognized without impacting income.

Since all companies included in the consolidated financial statements run their business activities autonomously from a financial, economic and organizational perspective, the functional currency is in principle the same as the relevant local currency of those companies. For the consolidated financial statement, assets and liabilities are, therefore, translated at the rate at the balance sheet date, equity items at historical rates and income and expense at the average annual rate. Any translation differences that arise are reported under the position equity in the item 'difference in equity from currency translation' without impacting income.

Disclosures on accounting and valuation methods

The following accounting and valuation methods were relevant in preparing the consolidated financial statements.

Intangible assets acquired against payment are capitalized at acquisition cost and, if subject to wear and tear, amortized over the expected useful life of the asset using the straight-line method.

Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, as according to our plans we assume long-term use of the acquired values. Current developments are reflected by extraordinary write-offs, if necessary.

Tangible assets are valued at acquisition cost, taking into account ordinary depreciation. Extraordinary write-offs are allowed for in the case of permanent impairment.

Financial assets—with the exception of shares in associated companies—are measured at acquisition cost. If the fair value of the financial assets at the balance sheet date is permanently below acquisition cost, then the former is recorded.

Raw materials and **supplies**, as well as **merchandise**, were valued strictly at the lower of cost or market value.

Semi-finished goods are measured at production cost; these include in addition to direct manufacturing and material costs, appropriate portions of production-, material- and administrative overhead costs. Interest on debt is not included in production costs. The valuation of **finished goods** is based on the inverse method by deducting any upcoming direct selling costs and distribution overheads as well as the profit margin from the net sales price.

Inventory risks are taken into account by considering appropriate valuation allowances.

Trade receivables and other assets are valued at the lower of nominal value or the fair value at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks, the general credit risk is covered by a general allowance. There are no non-interest-bearing receivables and receivables carrying below-market interest rates with a term of more than one year. Receivables in foreign currency with a maturity of less than one year are translated at the average spot exchange rate on the balance sheet date. Receivables in foreign currency with a maturity of more than one year are accounted for with the lower value of acquisition costs or the value resulting from the conversion with the average spot exchange rate at the balance sheet date.

Trade receivables are sold under factoring and ABS transactions, the credit risk is thereby transferred to the buyer. The administration of the receivables is handled by the respective subsidiary in favor of the buyers.

The below listed trade receivables have been sold as per balance sheet date within the receivables-based financing framework:

Wepa Hygieneprodukte GmbH, Arnsberg	kEUR 43,091	Compass ABSproM Limited
Wepa Hygieneprodukte GmbH, Arnsberg	kEUR 20,667	GE Capital Bank AG
Wepa Professional GmbH, Arnsberg	kEUR 4,605	GE Capital Bank AG
WEPA Lille S.A.S., Bousbecque, France	kEUR 18,074	GE Factofrance SNC

Subscribed capital has been fully paid in and is reported at nominal value.

Pension provisions for vested and current pension obligations are calculated using the projected unit credit method based on the „Richttafeln 2005 G"(Generation Mortality Tables) of Prof. Dr. Klaus Heubeck. They are calculated according to Section 253, paragraph 1, clause 2 and Section 253, paragraph 2 of the German Commercial Code. For the discounting, the average market interest rate with a remaining term of 15 years of 4.91% (previous year: 5.06%) was used in accordance with the German regulation on the discounting of provisions from 18th November 2009. Anticipated salary and pension increases were reflected at a rate of 2.0% (previous year: 2.5%) and 2.0% (previous year: 2.0%), respectively. As in the previous year no fluctuation rate was considered. Having applied the option under article 67, paragraph 1, clause 1 of the Introductory Act to the German Commercial Code, the allocation amount for fiscal year

2010 of kEUR 489 resulting from the change in accounting for provisions under the German Accounting Law Modernisation Act is allocated equally over a maximum of 15 years. As at 31st December 2013, the amount not yet allocated is kEUR 359.

Assets (plan assets) which are to be used only to meet pension obligations and which are protected from access by all other creditors are offset against the provisions at their fair market value.

Pension-like obligations of the foreign companies were calculated according to country specific circumstances in analogue application of the rules of the German Commercial Code.

Tax provisions and other provisions were considered for all identifiable risks and uncertain liabilities. They have to be assessed at the amount which is required to be paid according to a reasonable commercial assessment taking into account price and cost increases. Provisions with a remaining maturity of more than one year, are discounted with the average market interest rate for the past seven years corresponding to their residual maturity.

Liabilities are shown at their settlement amounts. Liabilities in foreign currency with a maturity of less than one year are translated at the average spot exchange rate on the balance sheet date. Liabilities in foreign currency with a maturity of more than one year are accounted for at the balance sheet date with the higher value of the acquisition costs or the value resulting from the conversion with the average spot exchange rate

For the determination of **deferred taxes** caused by temporary or quasi-permanent differences between the commercial and the tax based valuation of assets and liabilities or caused by tax loss carry forwards and tax credits, the amounts of the highly probable future tax debits or tax credits are calculated using the company individual tax rates at the time when the differences will be recognized, these amounts are not discounted.

The capitalization of deferred taxes in the financial statements of the consolidated companies was applied in accordance with the existing disclosure option. As at 31st December 2013 the deferred tax assets and tax liabilities were netted in deviation to the previous years, the surplus is shown as deferred tax liability.

Notes to the consolidated balance sheet

Fixed assets

The development of the individual fixed asset lines, stating the depreciation and amortization of the fiscal year are reflected in the 'consolidated statement of changes in fixed assets' (Attachment 1 to the consolidated cotes).

Trade receivables and other assets

As in the previous year the remaining term of the receivables is less than one year. Receivables from shareholders also relate to affiliated companies.

Equity

The subscribed capital is EUR 8,100,000.00.

Profit-sharing rights amounting to kEUR 3,300 were fully repaid during the fiscal year.

Shareholders' equity also includes the difference in equity from currency translation with an amount of kEUR −1,611 according to Section 308 of the German Commercial Code. This amount is attributed entirely to our subsidiary in Poland.

For further details, please refer to the consolidated statement of changes in shareholder's equity (Attachment to the notes).

Difference from capital consolidation

The difference from the capital consolidation which is disclosed on the liabilities side of the balance sheet with an initial amount of kEUR 3,595 results from the capital consolidation of TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG and Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG as at 01 January 2010. As at 31 December 2013 this position amounts to kEUR 2,206 (previous year: kEUR 2,553). The accumulated dissolvements affecting net income amount to kEUR 1,389 at 31st December 2013 (previous year: kEUR 1,042). In the current fiscal year, the dissolvements related to the amortization of disclosed hidden reserves in tangible assets amount to kEUR 347 (previous year: kEUR 347). The differences are disclosed in a separate position not included in the equity in accordance with Section 301, paragraph 3 of the German Commercial Code.

Provisions

Significant individual items included in **other provisions** are listed as follows:

Provisions for	31.12.2013 kEUR	31.12.2012 kEUR
outstanding invoices	21,316	20,450
Personnel related expenses	11,808	10,865
Sales deductions	8,447	8,734
Contingent losses	3,300	318
Refund of power network tariffs	3,670	2,170
Legal disputes and related fees	1,540	229

Cash funds invested with Allianz Lebensversicherungs-AG (plan assets) are to be used as insolvency insurance for employee entitlements related to partial retirement. These deposits are, therefore, not reported under financial assets, but are offset against the provisions for partial retirement obligations in the amount of their fair value in accordance with section 246, paragraph 2 of the German Commercial Code (see table below).

Acquisition cost of offset asset items (total amount)	Fair value of offset asset items (total amount)	Fulfillment amount of offset liabilities (total amount)
kEUR 2,094	kEUR 1,751	kEUR 2,963

The expenses and earnings, which are netted according to Section 246, paragraph 2 of the German Commercial Code, amount to kEUR 68.

Liabilities

The breakdown and maturity of the liabilities are reflected in the consolidated payables ageing report (Attachment 2 to the notes).

Deferred tax liabilities

Deferred tax assets and liabilities as at 31 December 2013 refer to the below listed balance sheet items:

	kEUR
Deferred tax assets	
Tax losses carried forward and tax credits	5,192
Other provisions	1,270
Others	158
Subtotal deferred tax assets	***6,620***

	kEUR
Deferred Tax Liabilities	
Tangible Assets	−18,947
Others	−262
Subtotal deferred tax liabilities	***−19,209***
Deferred tax (net)	***−12,589***

The calculation is based on tax rates between 19% to 30.6%.

Collateral

Based on the credit agreement dated 29th April 2013 between Wepa Hygieneprodukte GmbH, Arnsberg, and WEPA LUCCA SRL, Lucca/Italy („Original Borrowers“) as well as other affiliated companies („Original Guarantors“) on one side and Commerzbank AG, Deutsche Bank AG, London Branch and HSBC Trinkaus und Burkhardt AG on the other side, a revolving working capital facility (facility agreement) with an amount of kEUR 90,000 was provided. This facility was not used at 31 December 2013.

Furthermore Wepa Hygieneprodukte GmbH issued notes with a volume of kEUR 275,000 and a term of 7 years on 13 May 2013. The notes were increased by a nominal amount of kEUR 52,000 to a total of kEUR 327,000 on 16 December 2013. At the balance sheet date the notes total kEUR 327,000, they mature in full on 15 May 2020.

For these liabilities, the following collaterals were made available, which are administered by Commerzbank AG as "Security Agent":

Mortgages on real property of the domestic subsidiaries of Wepa Hygieneprodukte GmbH, pledging of all shares of subsidiaries, global assignment of receivables from insurance claims and claims arising from intra-group loans, pledging of all domestic accounts as well as the collateral assignment of fixed assets of Wepa Hygieneprodukte GmbH and various subsidiaries.

Furthermore the following collaterals were granted:

Primary pledging of various German accounts at Sparkasse Arnsberg-Sundern and Portigon AG to secure receivables of Compass ABSproM Limited under the Receivables Purchase Framework Agreement dated 23 December 2004, as modified from time to time.

Primary pledging of two German accounts at Commerzbank AG Arnsberg-Neheim branch dated 21 / 22 July 2012, to secure receivables of GE Capital Bank AG, Mainz, under the Factoring Framework Agreement with Wepa Hygieneprodukte GmbH, Arnsberg, and Wepa Professional GmbH, Arnsberg.

Notes to the consolidated statement of income

Sales revenues

The sales revenues can be broken down by specific geographical markets as follows:

	2013	2012
	kEUR	kEUR
Sales revenues in Germany	350,989	326,646
Sales revenues outside Germany	503,851	522,850
Total sales revenues	854,840	849,496

Other operating income

Other operating income from exchange rate differences amount to kEUR 470 (prior year kEUR1,538); the income related to other accounting periods amounts to kEUR 2,899 (prior year kEUR 1,040) in total (of that amount kEUR 1,014 relate to the accrual of expenses at Wepa Papierfabrik Sachsen GmbH).

Amortization and depreciation on intangible and tangible assets

The depreciation and amortization include extraordinary depreciation of kEUR 3,994.

Other operating expenses

Other operating expenses from exchange rate differences amount to kEUR 1,013 (prior year: kEUR 1,513). Other operating expenses include expenses related to other accounting periods of kEUR 1,771 (prior year: kEUR 488).

Interest and similar expenses

An interest expense of kEUR 522 (prior year kEUR 290) results from the addition of interest on provisions.

Extraordinary result

Extraordinary income of kEUR 1,169 arising from the insurance claim resulting from the fire in the high-rack warehouse in Müschede late December 2012 faces extraordinary expenses with a nearly similar amount. Furthermore extraordinary income relating to Italy are attributable to the sale of the plant in Piano della Rocca and to insurance claims.

Apart from the above mentioned expenses relating to the high rack warehouse fire, extraordinary expenses mainly include costs for the refinancing of the Wepa Hygieneprodukte GmbH with an amount of kEUR 31,120 as well as costs relating to the restructuring with an amount of kEUR 6,278.

Income taxes

Included in the income taxes are deferred tax expenses with an amount of kEUR 1,835 (prior year kEUR 5,128).

Contingent liabilities and other financial obligations

Contingent liabilities

The following contingent liabilities exist for the Group as at the balance sheet date:

Guarantees

Guarantee with a maximum amount of up to kEUR 365 in favor of HSH Nordbank AG, Hamburg, for certain leasing obligations of the Marsberger Kraftwerk GmbH, Arnsberg.

Other financial obligations

The total amount of other financial obligations (obligations under rental-, tenancy-, and leasing agreements) as at 31 December 2013, is kEUR 28,383 (adjustment to prior year: kEUR 25,866).

A total amount of kEUR 6,355 is due within one year.

The purchase order commitments as at 31 December are in line with the industry average.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate, currency and commodity risks from booked, pending and planned underlying transactions. Hedging of currency and commodity risks takes place based on largely centralized purchasing of commodities and exclusively in the name and on the account of Wepa Hygieneprodukte GmbH. Thus hedging measures also cover other group companies.

The booked and pending underlying transactions are combined together with the hedging transactions as a micro hedge and portfolio hedge in German Commercial Code valuation units, separated into commodity, currency and interest rate hedging instruments. The same applies to planned transactions underlying a macro- or portfolio hedge. The German Commercial Code valuation units are valued individually as per the balance sheet date.

The valuation methods and assumptions underlying the calculation of the market value are the following:

FX forwards and FX swaps are valued at the forward exchange rate at the balance sheet date. Options are valued using the Black-Scholes- or Binomial Models according to their structure.

Instruments designed to hedge interest rate and commodity risks are valued by discounting future cash flows. Discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against profit and loss at the time of payment or when accrued at the balance sheet date.

According to the principles of valuation under Commercial Law, a negative valuation result of the relevant hedging transaction leads to a provision for contingent losses, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

The WEPA Group strives to achieve a balanced risk / opportunity relationship. Depending on the assessment of the market situation, 50% to 100% of total currency or financing requirements are therefore hedged, in order to be able to respond to unforeseen developments in interest rates and currencies when calculating prices. Commodity purchase prices are hedged not only by entering into fixed price contracts, but also via commodity swaps; depending on the market situation, a hedging position of between 30% and 100% is aimed at as well. The primary goal is to hedge the calculation rates on which the planning is based.

As at the balance sheet date the following derivative financial positions existed:

	Nominal Amount / Volume	Market Value
Interest rate derivatives	kEUR 106,263	kEUR −7,741
Currency derivatives	kEUR 85,008	kEUR −3,209
Commodity derivatives	MT 270,000	kEUR −3,778
		kEUR 42

MT = metric tons

Provisions of kEUR 300 (prior year kEUR 318) are considered for negative market values—as long as no valuation units exist. Nominal amounts of the derivative financial transactions are equivalent to the purchase- or sale amounts or the contract values of the hedged underlying transactions.

In 2013, a pulp-swaption for the reference year 2015 was entered into as the swaption writer, simultaneously entering into a pulp-swap for the reference year 2014. For risks that might occur out of these two transactions a provision for contingent losses amounting to kEUR 3,000 was considered as at 31 December 2013.

If a direct hedging relationship exists, the derivatives are combined as a valuation unit with the underlying or planned transactions. The WEPA Group has opted for the so-called net hedge presentation method in reflecting the valuation units in the balance sheet.

Concerning the hedging volumes mentioned above, the following volumes were combined to valuation units with the underlying transactions:

Hedging of interest rate risk on liabilities resulting from receivables based financing by entering into payer swaps

	Volume	Maturity	Type of Valuation Unit	Volume of Hedging Instrument	Maturity no later than	Market Value of Hedging Instrument
Working Capital Financing	97,000,000	minimum 31.12.2014	Portfolio-Hedge	97,000,000[1]	30.12.2017	−7,410,181 EUR

Comments:

(1) Of this, forward-swaps with a volume of EUR 32 mio. start per 30.06.2014

Hedging of interest rate risk on leasing liabilities by entering into payer-swaps:

	Volume	Maturity	Type of Valuation Unit	Volume of Hedging Instrument	Maturity no later than	Market Value of Hedging Instrument
Leasing . .	9,263,275	maximum 19.12.2017	Portfolio-Hedge	9,263,275	19.12.2017	−331,046 EUR

Hedging of price-change risk (monthly-ø PIX-FOEX) by entering into payer-swaps:

	Planned Volume for 2014 (minimum)	Volume of Hedging Instruments (until now)	Type of Hedging Instrument	Maturity of Hedged Instruments	Market Value of Hedging Instruments
1. Pulp BHKP	42,000 mt	42,000 mt	Portfolio-Hedge	Dec 14	−720,442 EUR

	Planned Volume for 2014 (minimum)	Volume of Hedging Instruments (until now)	Type of Hedging Instrumentt	Maturity of Hedged Instruments	Marked Value of Hedging Instruments
2. Pulp NBSK	18,000 mt	18,000 mt	Portfolio-Hedge	Dec 14	−57,850 EUR

Hedging of exchange rate risk regarding the procurement of pulp / semi-finished goods:

	Planned Volume (minimum)	Type of Valuation Unit	Volume of Hedging Instrument	Maturity of Hedging Instrument no later than	Market Value of Hedging Instruments
Forward Exchange Transactions and FX-Swaps	112,200,000 USD	Portfolio-Hedge	112,200,000 USD	Dec. 14	−3,201,885 EUR

Due to the fact that the key features of the designated underlying transactions and hedging instruments constitute a valuation unit, the changes in value or cash flow offset one another. The hedge always exists for the entire term of the underlying transaction.

The effectiveness of the valuation unit is proven prospectively using the 'critical term match' method, i.e. all parameters that define the value of the underlying transaction and the hedge are reviewed to ensure they match. The effectiveness of the valuation unit is reviewed retrospectively based on the mark-to-market valuations of the underlying transaction and hedged item. This process involves a comparison of the changes in value of the underlying transaction and the hedged instrument. The transactions, which are planned with a high probability of materializing and are included as underlying transactions in a valuation unit, involve future commodity purchases as well as future working capital requirements.

Disclosures regarding the cash flow statement

The financing purposes fund is defined as cash at hand, deposit with banks and cheques with a maturity of less than three months. It is equivalent to the balance sheet item "cash at hand, deposits with banks and cheques".

Other disclosures

Average number of employees

In fiscal year 2013 2,568 employees (prior year: 2,663) were employed on average, of which 2,017 (prior year: 2,110) were blue-collar- and 551 (prior year: 553) white-collar-workers. In addition 60 trainees (prior year: 76) were being prepared for their future professions.

Auditor fee

The total fee invoiced by the auditor for fiscal year 2013 amounts to:

a) Auditing services: .... kEUR 422
b) Tax advisory services: .... kEUR 191
c) Other services: .... kEUR 467

Investments / significant holdings

The company holds an direct or indirect significant interest in the following limited liability companies that are not included in the consolidated financial statements:

		Share %	Equity	Net income 2013
			kEUR	kEUR
a)	Wepa Kraftwerk GmbH, (previously: Westfälische Sportmarketing GmbH), Arnsberg	100	88	0
b)	WEPA UK Limited, Harrow, Middlesex, United Kingdom	100	kGBP 94*)	kGBP 91*)
c)	Wepa Produktion Verwaltungs-GmbH, Arnsberg	100	25	−1
d)	Contreda-Papier GmbH, Bad Oeynhausen	49.5	589*)	−22*)

*) Financial statements as of December 31, 2013 are not yet available

Exchange rate 31 December 2013: 0.8337 GBP/EUR

The investments in GC & WEPA S.L. Ejea de los Caballeros, Province Zaragoza, Spain, and the Marsberger Kraftwerk GmbH („MKG"), Arnsberg are included 'at equity' in the consolidated financial statements.

The accounting and valuation methods applied by GC & WEPA S.L. are in accordance with the Spanish accounting regulations.

The summarized balance sheets as at 31 December 2013, and the summarized statements of income for 2013 are shown below:

Balance Sheet

	GC & WEPA	MKG
	kEUR	kEUR
Fixed assets	35,889	23,069
Current assets	23,136	4,809
Total assets	59,025	27,878
Net assets	31,113	23,902
Outstanding liabilities	27,912	3,976
Total capital	59,025	27,878

Statement of income

	GC & WEPA kEUR	MKG kEUR
Operating Result (EBIT)	1,061	− 63
Financial result	247	− 860
Result before taxes (EBT)	1,308	− 923
Taxes	− 533	− 169
Year-end result	775	− 1,092

Management Board

Wepa Hygieneprodukte GmbH’s Management Board is composed of the following individuals:

Martin Krengel, Arnsberg, (Chairman/CEO); Chairman of the Management Board of WEPA Industrieholding SE, Managing Director

Johann Wolbert, Frankfurt am Main, since 18th March 2013; Member of the Management Board of WEPA Industrieholding SE, Managing Director

Walter Hirner, Sundern, since 1st August 2013; Member of the Management Board of WEPA Industrieholding SE, Managing Director

Dr. Hendrik Otto, Düsseldorf, since the 1st February 2014; Member of the Management Board of WEPA Industrieholding SE, Managing Director

The managing directors have joint power of representation and are exempt from the restrictions under section 181 of the German Civil Code.

The managing directors did not receive a remuneration in the reporting period.

Consolidated financial statements

The Wepa Hygieneprodukte GmbH prepares the consolidated financial statements in accordance with Section 290 et seq. of the German Commercial Code. The consolidated financial statements are published in the German Electronic Federal Gazette. Wepa Hygieneprodukte GmbH, Arnsberg, and its affiliated companies are also included in the consolidated financial statements of WEPA Industrieholding SE, Arnsberg. These consolidated financial statements are also published in the German Electronic Federal Gazette

Arnsberg, 14th Februar 2014

Wepa Hygieneprodukte GmbH, Arnsberg

The Management Board

Martin Krengel	Johann Wolbert	Walter Hirner	Dr. Hendrik Otto

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS BETWEEN 01.01.2013 AND 12.31.2013

ATTACHMENT 1 TO NOTES

	Accumulated acquisition costs						Accumulated depreciations					Book values	
	01/01/2013	Additions	Disposals	Transfer	Currency adjustment	12/31/2013	01/01/2013	Amort. and depr. fiscal year	Disposals	Currency Adjustment	12/31/2013	12/31/2013	12/31/2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets													
I. Intangible assets													
1. Acquired concessions, industrial property rights and values as well as licenses on such rights and values	14,726,049.33	702,984.44	346,849.12	4,061,724.53	−958.45	19,142,950.73	9,391,009.36	2,297,504.55	173,187.62	−809.81	11,514,516.48	7,628,434.25	5,335,039.97
2. Goodwill	5,686,298.09	0.00	0.00	0.00	0.00	5,686,298.09	4,361,344.22	356,426.96	0.00	0.00	4,717,771.18	968,526.91	1,324,953.87
3. Advance payments	2,406,798.41	2,110,919.16	0.00	−3,631,429.52	0.00	886,288.05	0.00	0.00	0.00	0.00	0.00	886,288.05	2,406,798.41
	22,819,145.83	**2,813,903.60**	**346,849.12**	**430,295.01**	**−958.45**	**25,715,536.87**	**13,752,353.58**	**2,653,931.51**	**173,187.62**	**−809.81**	**16,232,287.66**	**9,483,249.21**	**9,066,792.25**
II. Tangible assets													
1. Land rights equivalent to real property and buildings, including buildings on leased land	131,715,054.63	138,724.51	3,312,579.18	1,314,700.53	−302,784.12	129,553,116.37	32,210,016.07	6,142,690.68	506,606.02	−77,330.33	37,768,770.40	91,784,345.97	99,505,038.56
2. Technical equipment and machinery	511,748,318.84	3,979,912.72	19,822,409.53	10,947,913.75	−461,891.32	506,391,844.46	302,258,489.84	23,025,374.17	15,804,077.94	−185,540.42	309,294,245.65	197,097,598.81	209,489,829.00
3. Other equipment, office furniture and fittings	13,822,410.36	302,547.02	870,526.28	162,719.12	−14,178.00	13,402,972.22	9,860,064.78	1,280,502.76	677,003.60	−8,940.18	10,454,623.76	2,948,348.46	3,962,345.58
4. Advance payments made and assets under construction	9,260,396.61	25,956,954.98	0.00	−12,855,628.41	−25,874.51	22,335,848.67	2,653,482.78	0.00	0.00	−594.24	2,652,888.54	19,682,960.13	6,606,913.83
	666,546,180.44	**30,378,139.23**	**24,005,514.99**	**−430,295.01**	**−804,727.95**	**671,683,781.72**	**346,982,053.47**	**30,448,567.61**	**16,987,687.56**	**−272,405.17**	**360,170,528.35**	**311,513,253.37**	**319,564,126.97**
III. Financial assets													
2. Shares in affiliated companies	75,148.31	0.00	0.00	0.00	0.00	75,148.31	0.00	0.00	0.00	0.00	0.00	75,148.31	75,148.31
2. Loans to affiliated companies	0.00	310,763.43	0.00	0.00	0.00	310,763.43	0.00	0.00	0.00	0.00	0.00	310,763.43	0.00
3. Shares in associated companies	19,087,472.10	25,089,304.97	0.00	0.00	0.00	44,176,777.07	3,704,043.34	0.00	0.00	0.00	3,704,043.34	40,472,733.73	15,383,428.76
4. Loans to associated companies	5,560,000.00	0.00	0.00	0.00	0.00	5,560,000.00	0.00	0.00	0.00	0.00	0.00	5,560,000.00	5,560,000.00
5. Other loans	1,435,005.01	0.00	1,313,000.00	0.00	0.00	122,005.01	0.00	0.00	0.00	0.00	0.00	122,005.01	1,435,005.01
	26,157,625.42	**25,400,068.40**	**1,313,000.00**	**0.00**	**0.00**	**50,244,693.82**	**3,704,043.34**	**0.00**	**0.00**	**0.00**	**3,704,043.34**	**46,540,650.48**	**22,453,582.08**
Total fixed assets	**715,522,951.69**	**58,592,111.23**	**25,665,364.11**	**0.00**	**−805,686.40**	**747,644,012.41**	**364,438,450.39**	**33,102,499.12**	**17,160,875.18**	**−273,214.98**	**380,106,859.35**	**367,537,153.06**	**351,084,501.30**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED PAYABLES AGEING REPORT

DECEMBER 31, 2013

ATTACHMENT 2 TO NOTES

			of which with a remaining term of		
		as at 12/31/2013 (12/31/2012)	up to 1 year	more than 1 year up to 5 years	over 5 years
		EUR	EUR	EUR	EUR
1. Notes		327,000,000.00	0.00	0.00	327,000,000.00
		(0.00)	(0.00)	(0.00)	(0.00)
2. Liabilities to banks		26,899,074.49	2,262,745.22	16,328,628.70	8,307,700.57
		(276,698,116.62)	(135,723,824.17)	(123,324,029.36)	(17,650,263.09)
3. Trade payables		61,384,564.99	61,384,564.99	0.00	0.00
		(74,129,405.80)	(74,129,405.80)	(0.00)	(0.00)
4. Liabilities to affiliated companies		0.00	0.00	0.00	0.00
		(16,176.61)	(16,176.61)	(0.00)	(0.00)
—of which related to trade payables	0.00				
	(16,176.61)				
5. Liabilities to associated companies		6,469,649.55	6,469,649.55	0.00	0.00
		(12,978,732.99)	(12,978,732.99)	(0.00)	(0.00)
—of which related to trade payables	6,469,649.55				
	(12,978,732.99)				
6. Other liabilities		21,118,856.54	20,999,080.36	119,776.18	0.00
		(18,457,034.46)	(17,492,482.52)	(701,139.45)	(263,412.49)
		442,872,145.57	91,116,040.12	16,448,404.88	335,307,700.57
		(382,279,466.48)	(240,340,622.09)	(124,025,168.81)	(17,913,675.58)

THE ISSUER

Wepa Hygieneprodukte GmbH
Rönkhauser Str. 26
59757 Arnsberg
Germany

LEGAL ADVISORS TO THE ISSUER

As to U.S. and English law:

Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF
United Kingdom

As to German law:

Mayer Brown LLP
Friedrich-Ebert-Anlage 35-37
60327 Frankfurt am Main
Germany

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to U.S. law:

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to German law:

Latham & Watkins LLP
Maximilianstraße 13
80539 Munich
Germany

INDEPENDENT AUDITORS

KPMG AG Wirtschaftsprüfungsgesellschaft
Zweigniederlassung Dortmund
Rheinlanddamm 185-189
44139 Dortmund
Germany

NOTIFICATION AGENT,
PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG
Grosse Gallusstrasse 10 - 14
60272 Frankfurt am Main
Germany

SECURITY AGENT

Commerzbank Aktiengesellschaft
Kaiserplatz
60261 Frankfurt am Main
Germany

HOLDERS' REPRESENTATIVE

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft
Schwannstrasse 6
40476 Düsseldorf
Germany

LISTING AGENT

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
1115 Luxembourg
Luxembourg


wepa


wepa

Merrill Corporation Ltd, London
16ZAZ43001